

CITY OF SOUTH PITTSBURG, TENNESSEE
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023

I. INTRODUCTORY SECTION

CITY OF SOUTH PITTSBURG, TENNESSEE

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June 30, 2023

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CITY OF SOUTH PITTSBURG, TENNESSEE
Mayor and Officials
June 30, 2023

Mayor – Samantha Rector

Commissioner – Cheryl Kellermann

Commissioner – Allison Bunchanan

Commissioner – Cameron Moss

Commissioner – Matt Stone

City Recorder – Heather Pickett

II. FINANCIAL SECTION

Waycaster, CPA LLC

INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Commissioners
City of South Pittsburg, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of South Pittsburg, Tennessee, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of South Pittsburg, 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, the business-type activities, each major fund and the aggregate remaining fund information of the City of South Pittsburg, Tennessee, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund and sanitation fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the City of South Pittsburg's business-type activities, which represent 100% percent of the assets, and revenues of the business-type activities as of June 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for business-type activities, is based solely on the report of the other auditors.

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 City of South Pittsburg, 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 City of South Pittsburg, 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 City of South Pittsburg, Tennessee's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of South Pittsburg, Tennessee's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as 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 City of South Pittsburg, Tennessee's basic financial statements. The accompanying nonmajor governmental fund financial statements and financial schedules, and schedule of expenditures of federal and state awards and notes to the schedule of expenditures of federal and state awards, as listed in the table of contents, as required by Title 2 U.S. *Code of federal regulation* Part 200, *Uniform Administrative Requirements for Federal Awards*, are presented for purpose of additional analysis and are not a required part of the basic financial statements. The nonmajor governmental fund financial statements and 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 non-major governmental fund financial statements and 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 8, 2024 on our consideration of the City of South Pittsburg, 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 City of South Pittsburg, 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 City of South Pittsburg, Tennessee's internal control over financial reporting and compliance.

Waycaster CPA, LLC
Chickamauga, GA
July 8, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF SOUTH PITTSBURG, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

As management of the City of South Pittsburg, Tennessee (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in the basic financial statements and the accompanying notes to those financial statements. All amounts, unless otherwise indicated, are expressed in actual dollars. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the City.

FINANCIAL HIGHLIGHTS

- The assets of the City of South Pittsburg exceeded its liabilities at the close of the most recent year by \$32,519,092. Of this amount, \$17,923,726 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current year, fund balance for the General Fund was \$1,612,446 or 51.3% of total General Fund expenditures
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,625,351.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the City's financial condition and activities. Summary financial statement data, key financial and operational indicators, budget and other management tools were used for this analysis. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents the financial position of the City on a full accrual, historical cost basis. The statement of net position provides information on all the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City'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 City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, drug enforcement, and sanitation services. The business-type activities of the City include the operations of the water facility.

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 City, 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 City can be divided into two categories: governmental funds and proprietary 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 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 the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriations budget for its general and special revenue funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds: The City maintains two proprietary/enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water works and sewers, and its natural gas functions.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water and sewer activities of the City, as well as natural gas activities which are considered to be major funds.

Notes to the financial statements: The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the government-wide and fund financial statements. The notes present information about the City's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Management believes the City of South Pittsburg's financial condition is stable. Management is monitoring the budget and financial activity on a regular basis to control spending and improve fiscal responsibility and accountability. The following are key financial highlights:

- The total net position of the City's funds was \$32,519,092 at the close of the fiscal year. Of this amount, \$17,923,726 or 55.12% is unrestricted net position and may be used to meet the government's ongoing obligation to citizens and creditors; \$19,095,563 represents the net book value (purchase price less depreciation) of capital assets, net of debt related to the acquisition of the assets.

- The City has also accumulated funds for capital project needs. The net investment in capital assets (44.82% of net position) 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 City of South Pittsburg uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources need to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net position comprises 0.04% of net position. These resources are subject to external restrictions on how they may be used.
- At June 30, 2023 the City of South Pittsburg is able to report positive balances in all categories of net position for the government as a whole.

	CITY OF SOUTH PITTSBURG NET POSITION					
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 3,247,677	\$ 2,623,600	\$ 16,276,098	\$ 15,878,786	\$ 19,523,775	\$ 18,502,386
Capital assets	2,439,037	2,243,076	16,676,526	15,352,044	19,115,563	17,595,120
Total assets	5,686,714	4,866,676	32,952,624	31,230,830	38,639,338	36,097,506
Deferred Outflows of Resources	505,908	363,986	1,019,053	503,828	1,524,961	867,814
Current and other liabilities	930,922	140,225	1,170,811	1,215,044	2,101,733	1,355,269
Long-term liabilities	581,057	508,093	4,180,074	3,919,367	4,761,131	4,427,460
Total Liabilities	1,511,979	648,318	5,350,885	5,134,411	6,862,864	5,782,729
Deferred Inflows of Resources	724,276	1,049,257	58,067	263,111	782,343	1,312,368
Net investment in capital assets	2,103,943	1,837,397	12,478,518	11,555,112	14,582,461	13,392,509
Restricted	12,905	(7,870)	-	-	12,905	(7,870)
Unrestricted	1,839,519	1,703,560	16,084,207	14,782,024	17,923,726	16,485,584
Total net position	\$ 3,956,367	\$ 3,533,087	\$ 28,562,725	\$ 26,337,136	\$ 32,519,092	\$ 29,870,223

Governmental activities. Governmental activities increased the City of South Pittsburg’s net position by \$423,280. State sales tax and local sales tax continued the recent history of modest growth. The City received federal and state grant funds in excess of \$770,400 for the fiscal year.

Business-type activities. Business-type activities increased the City of South Pittsburg’s net position by \$1,901,928. This increase was due primarily to operations in the Marion Natural Gas Fund. The increase in net position is due to Grant funds received for LNG project.

CITY OF SOUTH PITTSBURG CHANGE IN NET POSITION						
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Program Revenues						
Charges for services	\$ 295,300	\$ 292,533	\$ 16,676,526	\$ 7,864,698	\$ 16,971,826	8,157,231
Operating grants and contributions	122,066	370,377	16,676,526	239,143	16,798,592	609,520
Capital grants and contributions	320,660	-	320,660	-	641,320	-
General Revenues						-
Taxes	505,908	2,436,285	1,019,053	-	1,524,961	2,436,285
Other Revenues	930,922	8,697	1,170,811	-	2,101,733	8,697
Investment earnings		6,191		28,420		34,611
Special items		39,216				39,216
Transfers	581,057	-	4,180,074	-	4,761,131	-
Total Revenues	2,755,913	3,153,299	39,722,990	8,132,261	42,158,243	11,285,560
Expenses						
General Government	2,103,943	843,267	12,478,518	-	14,582,461	843,267
Public Safety	12,905	748,407		-	12,905	748,407
Highways and streets		1,129,010		-		
Other		208,132		-		
Sanitation		257,563		-		
Interest and other debt		7,685		-		
Board of Waterworks and Sewers		-		1,853,203		
Marion Natural Gas	1,839,519	-	16,084,207	5,411,912	17,923,726	5,411,912
Total expenses	\$ 3,956,367	\$ 3,194,064	\$ 28,562,725	\$ 7,265,115	\$ 32,519,092	\$ 7,003,586
Change in net position	(1,200,454)	(40,765)	25,469,990	867,146	24,269,536	826,381
Net position, beginning, restated	3,533,087	3,573,852		25,469,990	3,533,087	29,043,842
Net position, ending	627,974	3,533,087	25,469,990	26,337,136	26,097,964	29,870,223

Financial Analysis of the City's Funds

As noted earlier, the City of South Pittsburg uses fund accounting to demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City'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 City of South Pittsburg's governmental funds reported combined ending fund balances of \$1,625,351, an increase of \$54,517 in comparison to the prior year. Approximately 99.2% of this total amount (\$1,612,446) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is classified as: \$1,975 restricted for Sanitation Fund purposes, and \$10,930 restricted for Drug Fund purposes.

The General Fund is the chief operating fund of the City of South Pittsburg. At the end of the current fiscal year, unassigned fund balance was \$1,612,446. 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 51.3% of total fund expenditures.

The fund balance of the City’s General Fund increased by \$33,742 during the current fiscal year. Revenues increased by \$307,615 and expenditures increased by \$112,367, both before other financing sources and uses. Property taxes increased due to while local sales taxes decreased slightly from the prior year.

Proprietary funds. The City’s proprietary funds provide the same information in the government-wide statements, but with more detail. Unrestricted net position at the end of the year amounted to \$5,270,470 for the South Pittsburg Board of Waterworks and Sewers, and \$10,813,737 for Marion Natural Gas.

General Fund Budgetary Highlights

Differences in the original budget and the final amended budget for revenues were \$193,840 and consisted of additional grant revenues and contributions. Differences in the original budget and the final amended budget expenditures were \$360,129 and are summarized below:

\$92,733 in general government related primarily to salaries and employee related benefits.

\$104,748 in public safety related primarily to employee related benefits, office supplies, repairs and maintenance and capital outlay.

\$86,248 in public works, related primarily to employee related benefits and capital outlay.

\$1,275 in the animal shelter due to supplies.

\$76,200 in parks and recreation due to salaries, employee related benefits and capital outlay.

\$14,100 in the Princess Theatre due to contractual services and utilities.

\$78,000 in Little League ball due to operational expenditures.

\$200 in the Library due to utilities.

Capital Asset and Debt Administration

CITY OF SOUTH PITTSBURG CAPITAL ASSETS						
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Utility Plant in Service	\$ -	\$ -	\$ 30,815,502	\$ 29,705,957	\$ 30,815,502	\$ 29,705,957
Land	151,499	151,499	434,375	434,375	585,874	585,874
Buildings and improvements	2,422,753	2,403,831	-	-	2,422,753	2,403,831
Furniture, machinery and equipment	2,175,657	1,830,953	3,175,438	3,064,480	5,351,095	4,895,433
Construction in Process	8,495	8,495	2,783,274	1,802,673	2,791,769	1,811,168
Infrastructure	793,331	725,509	-	-	793,331	725,509
Accumulated depreciation	3,112,698	2,877,210	20,552,063	19,655,444	23,664,761	22,532,654
Total assets	2,439,037	2,243,077	16,656,526	15,352,041	19,095,563	17,595,118

Additional information on the City of South Pittsburg’s capital assets can be found in this report.

Long-term debt. At the end of the current fiscal year, the City of South Pittsburg had debt outstanding of \$3,994,155. Of this amount, \$199,665 is due in the next fiscal year.

	Governmental Activities	Business-Type Activities	Total
Principal due in the next fiscal year	\$ 59,539	\$ 140,126	\$199,665

The City of South Pittsburg has a combined debt in the amount of \$3,994,155 outstanding as of the end of the current fiscal year, a decrease of \$208,456 from the prior year. The bonded debt is secured solely by specified revenue sources (i.e. revenue bonds).

Additional information on the City of South Pittsburg’s debt can be found in of this report.

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City’s finances for all those with an interest in the government’s finances. Questions concerning any information provided in this report or requests for any additional information should be directed to the City Recorder, City of South Pittsburg, 100 Banks Street, Huntland, TN 37345.

BASIC FINANCIAL STATEMENTS

CITY OF SOUTH PITTSBURG, TENNESSEE
Government-Wide Statement of Net Position
June 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash	\$ 2,166,118	\$ 13,772,872	\$ 15,938,990
Investments	23	132,391	132,414
Property taxes receivable - net	750,943	-	750,943
Accounts receivable - net	17,038	654,408	671,446
Due from other governments	313,555	867,996	1,181,551
Inventory	-	848,431	848,431
Total Current Assets	<u>3,247,677</u>	<u>16,276,098</u>	<u>19,523,775</u>
Non-current Assets			
Capital assets			
Land and land rights	151,499	434,375	585,874
Construction in process	8,495	2,783,274	2,791,769
Other capital assets - net of accumulated depreciation	2,279,043	13,438,877	15,717,920
Total capital assets	<u>2,439,037</u>	<u>16,656,526</u>	<u>19,095,563</u>
Deposits	-	20,000	20,000
Total Non-Current Assets	<u>2,439,037</u>	<u>16,676,526</u>	<u>19,115,563</u>
TOTAL ASSETS	<u><u>\$ 5,686,714</u></u>	<u><u>\$ 32,952,624</u></u>	<u><u>\$ 38,639,338</u></u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to Pension	\$ 505,908	\$ 1,019,053	\$ 1,524,961
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 505,908</u></u>	<u><u>\$ 1,019,053</u></u>	<u><u>\$ 1,524,961</u></u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 26,301	\$ 767,373	\$ 793,674
Accrued liabilities	49,517	263,312	312,829
Unearned grant revenue	795,565	-	795,565
Notes payable - due within one year (see note 12)	59,539	140,126	199,665
Total current liabilities	<u>930,922</u>	<u>1,170,811</u>	<u>2,101,733</u>
Non-current Liabilities			
Customer deposits	-	246,513	246,513
Net Pension Liability	264,356	348,851	613,207
Bonds payable - due more than one year	275,555	3,518,935	3,794,490
Compensated absences	41,146	65,775	106,921
Total non-current liabilities	<u>581,057</u>	<u>4,180,074</u>	<u>4,761,131</u>
TOTAL LIABILITIES	<u><u>\$ 1,511,979</u></u>	<u><u>\$ 5,350,885</u></u>	<u><u>\$ 6,862,864</u></u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to property taxes	\$ 697,280	\$ -	\$ 697,280
Deferred inflows related to Pension	26,996	58,067	85,063
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>\$ 724,276</u></u>	<u><u>\$ 58,067</u></u>	<u><u>\$ 782,343</u></u>
NET POSITION			
Net investment in capital assets	\$ 2,103,943	\$ 12,478,518	\$ 14,582,461
Restricted for:			
Sanitation	1,975	-	1,975
Drug	10,930	-	10,930
Unrestricted	1,839,519	16,084,207	17,923,726
TOTAL NET POSITION	<u><u>\$ 3,956,367</u></u>	<u><u>\$ 28,562,725</u></u>	<u><u>\$ 32,519,092</u></u>

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

CITY OF SOUTH PITTSBURG, TENNESSEE
Balance Sheet
Governmental Funds
June 30, 2023

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 2,152,993	\$ 13,125	\$ 2,166,118
Investments	23	-	23
Property taxes receivable - net	750,943	-	750,943
Other accounts receivable - net	17,038	-	17,038
Due from other governments	313,555	-	313,555
Due from other funds	-	231	231
Total Assets	\$ 3,234,552	\$ 13,356	\$ 3,247,908
LIABILITIES			
Accounts payable	\$ 26,301	\$ -	\$ 26,301
Accrued liabilities	49,066	451	49,517
Unearned grant revenue	795,565	-	795,565
Due to other funds	231	-	231
Total Liabilities	\$ 871,163	\$ 451	\$ 871,614
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to property taxes	\$ 750,943	\$ -	\$ 750,943
Total Deferred Inflows of Resources	\$ 750,943	\$ -	\$ 750,943
FUND BALANCES			
Restricted	\$ -	\$ 12,905	\$ 12,905
Unassigned	1,612,446	-	1,612,446
Total Fund Balances	\$ 1,612,446	\$ 12,905	\$ 1,625,351

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

CITY OF SOUTH PITTSBURG, 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	\$ 1,625,351
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet.	2,439,037
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	(376,240)
Some Property tax will not be collected for several months after the Town's fiscal year end, they are not considered "available" revenues in the governmental funds.	53,663
Pension liabilities, including deferred inflows and deferred outflows, are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	<u>214,556</u>
Net position of governmental activities	<u><u>\$ 3,956,367</u></u>

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

CITY OF SOUTH PITTSBURG, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2023

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 1,921,509	\$ -	\$ 1,921,509
Licenses and permits	26,589	-	26,589
Intergovernmental revenue	979,094	-	979,094
Charges for services	7,514	285,674	293,188
Fines and forfeitures	18,021	2,112	20,133
Other revenue	223,464	445	223,909
Total Revenues	<u>3,176,191</u>	<u>288,231</u>	<u>3,464,422</u>
EXPENDITURES			
Current Expenditures			
General government	739,574	-	739,574
Public safety	1,181,777	4,000	1,185,777
Public works	770,092	263,456	1,033,548
Public welfare and recreation	372,599	-	372,599
Debt service	78,407	-	78,407
Total Expenditures	<u>3,142,449</u>	<u>267,456</u>	<u>3,409,905</u>
Excess (deficiency) of revenues over (under) expenditures	33,742	20,775	54,517
Fund Balances - beginning	<u>1,578,704</u>	<u>(7,870)</u>	<u>1,570,834</u>
Fund Balances - end	<u>\$ 1,612,446</u>	<u>\$ 12,905</u>	<u>\$ 1,625,351</u>

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

CITY OF SOUTH PITTSBURG, 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	\$	54,517
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(53,663)
Governmental funds report capital outlay 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. This is the amount by which depreciation exceeds capital outlay in the current period.		195,959
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		70,132
Accrued leave reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.		6,229
Pension and OPEB 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.		<u>150,106</u>
Change in net position of governmental activities	\$	<u><u>423,280</u></u>

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

CITY OF SOUTH PITTSBURG, TENNESSEE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes				
Property taxes	692,000	692,000	774,082	82,082
Penalties and interest	16,200	16,200	24,587	8,387
In lieu of tax	135,600	135,600	168,345	32,745
Local sales tax	740,000	740,000	774,958	34,958
Wholesale liquor tax	70,000	70,000	68,996	(1,004)
Wholesale beer tax	97,000	97,000	110,541	13,541
Total Taxes	<u>1,750,800</u>	<u>1,750,800</u>	<u>1,921,509</u>	<u>170,709</u>
Licenses and Permits				
Beer license	2,300	2,300	3,800	1,500
Building permits	50,000	50,000	22,789	(27,211)
Total Licenses and Permits	<u>52,300</u>	<u>52,300</u>	<u>26,589</u>	<u>(25,711)</u>
Intergovernmental Revenue				
State shared revenue				
Business tax	46,000	46,000	61,127	15,127
Mixed drink tax	5,000	5,000	3,656	(1,344)
State sales tax	351,000	351,000	371,363	20,363
State beer tax	1,500	1,500	1,418	(82)
TVA in lieu of tax	33,000	33,000	37,664	4,664
Streets and transportation funds	124,300	124,300	122,066	(2,234)
Sports betting tax	3,000	3,000	5,538	2,538
Other state share tax	62,800	62,800	55,602	(7,198)
Federal and State grants	246,400	371,240	320,660	(50,580)
Total Intergovernmental Revenue	<u>873,000</u>	<u>997,840</u>	<u>979,094</u>	<u>(18,746)</u>

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

CITY OF SOUTH PITTSBURG, TENNESSEE

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES (Continued)				
Charges For Services				
Animal control fees	50	50	-	(50)
Clerk fees- business tax	50	50	105	55
Fees and commissions	4,000	4,000	7,082	3,082
Princess Theatre - Concessions	5,000	5,000	327	(4,673)
Total Charges For Services	<u>9,100</u>	<u>9,100</u>	<u>7,514</u>	<u>(1,586)</u>
Fines and Forfeitures				
Court fines and forfeitures	20,000	20,000	18,021	(1,979)
Other Revenue				
Donations				
Interest earnings	4,500	4,500	33,735	29,235
City property rent	-	-	3,300	3,300
Insurance recovery	-	-	4,398	4,398
Proceeds for sale of capital assets	1,000	1,000	334	(666)
Contributions and donations	1,000	70,000	170,424	100,424
Miscellaneous	6,000	6,000	11,273	5,273
Total Other Revenue	<u>12,500</u>	<u>81,500</u>	<u>223,464</u>	<u>141,964</u>
Total Revenues	<u>2,708,600</u>	<u>2,902,440</u>	<u>3,176,191</u>	<u>264,651</u>

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

CITY OF SOUTH PITTSBURG, TENNESSEE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		
EXPENDITURES				
Current Expenditures				
General government				
Salaries and payroll taxes	182,800	195,600	197,742	(2,142)
Health insurance	3,300	3,300	1,134	2,166
Retirement	17,000	39,783	43,490	(3,707)
Donations	90,000	135,000	135,578	(578)
Insurance	172,000	172,000	162,531	9,469
Office supplies	14,000	19,000	11,452	7,548
Other operating expenses	11,500	11,900	8,602	3,298
Professional and contractual services	46,600	46,600	80,026	(33,426)
Repair and maintenance	30,500	35,500	28,912	6,588
Telephone and communications	65,200	65,200	64,894	306
Travel and training	500	500	1,000	(500)
Utilities	3,500	5,250	4,213	1,037
Total General government	636,900	729,633	739,574	(9,941)
Public safety				
Salaries and payroll taxes	518,450	427,600	507,666	(80,066)
Health insurance	75,000	75,000	73,942	1,058
Retirement	54,000	119,348	131,387	(12,039)
Donations	6,000	6,000	4,210	1,790
Office supplies	28,350	52,850	39,946	12,904
Other operating expenses	33,800	47,300	44,628	2,672
Professional and contractual services	900	900	600	300
Repair and maintenance	25,000	48,000	40,608	7,392
Telephone and communications	5,350	5,850	6,180	(330)
Travel and training	11,000	11,000	3,876	7,124
Utilities	4,950	5,700	5,734	(34)
Capital outlay	354,000	422,000	323,000	99,000
Total Public safety	1,116,800	1,221,548	1,181,777	39,771

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

CITY OF SOUTH PITTSBURG, TENNESSEE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		
EXPENDITURES (Continued)				
Current Expenditures				
Public works				
Streets and highway				
Salaries and payroll taxes	394,500	398,400	361,862	36,538
Health insurance	55,000	55,000	53,447	1,553
Retirement	43,000	108,348	99,939	8,409
Non-capital equipment	1,000	1,000	-	1,000
Office supplies	38,000	38,000	39,502	(1,502)
Other operating expenses	84,000	85,000	71,303	13,697
Professional and contractual services	4,000	7,000	1,500	5,500
Repair and maintenance	103,000	103,000	112,813	(9,813)
Telephone and communications	2,800	7,800	8,500	(700)
Utilities	18,200	18,200	13,549	4,651
Capital outlay	-	8,000	7,677	323
Total Streets and highway	<u>743,500</u>	<u>829,748</u>	<u>770,092</u>	<u>59,656</u>
Total Public works	<u>743,500</u>	<u>829,748</u>	<u>770,092</u>	<u>59,656</u>

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

CITY OF SOUTH PITTSBURG, TENNESSEE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		
EXPENDITURES (continued)				
Current Expenditures				
Public welfare and recreation				
Animal Shelter				
Operational supplies	500	1,750	1,054	696
Utilities	800	825	865	(40)
Total Animal Shelter	1,300	2,575	1,919	656
Public welfare and recreation (continued)				
Parks and Recreation				
Salaries and payroll taxes	48,500	81,000	92,240	(11,240)
Health insurance	3,000	3,000	193	2,807
Retirement	4,500	24,522	9,993	14,529
Donations	11,000	16,000	4,795	11,205
Office supplies	5,000	6,000	8,659	(2,659)
Other operating expenses	800	5,800	5,361	439
Repair and maintenance	11,500	11,500	9,472	2,028
Telephone and communications	2,500	3,000	2,910	90
Utilities	9,800	12,300	10,073	2,227
Capital outlay	-	68,200	67,822	378
Total Parks and Recreation	24,600	100,800	211,518	5,162
Public welfare and recreation (continued)				
Princess Theatre				
Donations	-	-	10,000	(10,000)
Operational supplies	15,000	15,000	13,099	1,901
Professional and contractual services	10,000	20,000	15,627	4,373
Repair and maintenance	8,000	8,000	6,385	1,615
Telephone and communications	1,800	3,400	2,828	572
Utilities	10,900	13,400	10,234	3,166
Total Princess Theatre	45,700	59,800	58,173	1,627

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

CITY OF SOUTH PITTSBURG, TENNESSEE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		
EXPENDITURES (continued)				
Current Expenditures				
Public welfare and recreation (continued)				
Little League Ball				
Other operating expenses	-	78,000	56,596	21,404
Total Little League Ball	-	78,000	56,596	21,404
Library				
Salaries and payroll taxes	28,000	28,000	27,632	368
Operational supplies	7,100	7,100	6,221	879
Repair and maintenance	2,000	2,000	1,240	760
Telephone and communications	2,800	2,800	2,363	437
Utilities	7,200	7,400	6,937	463
Total Library	47,100	47,300	44,393	2,907
Total Public welfare and recreation	71,700	148,100	372,599	8,069
Debt service				
Principal	73,400	73,400	70,132	3,268
Interest	10,900	10,900	8,275	2,625
Total Debt service	84,300	84,300	78,407	5,893
Total Expenditures	2,653,200	3,013,329	3,142,449	103,448
Net change in fund balances	55,400	(110,889)	33,742	144,631
Fund Balances - beginning	1,578,704	1,578,704	1,578,704	-
Fund Balances - end	\$ 1,634,104	\$ 1,467,815	\$ 1,612,446	\$ 144,631

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

CITY OF SOUTH PITTSBURG, TENNESSEE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		
EXPENDITURES (continued)				
Current Expenditures				
Debt service				
Principal	73,400	73,400	70,132	3,268
Interest	10,900	10,900	8,275	2,625
Total Debt service	<u>84,300</u>	<u>84,300</u>	<u>78,407</u>	<u>5,893</u>
Total Expenditures	<u>2,653,200</u>	<u>3,013,329</u>	<u>3,142,449</u>	<u>103,448</u>
Net change in fund balances	55,400	(110,889)	33,742	144,631
Fund Balances - beginning	<u>1,578,704</u>	<u>1,578,704</u>	<u>1,578,704</u>	<u>-</u>
Fund Balances - end	<u><u>\$ 1,634,104</u></u>	<u><u>\$ 1,467,815</u></u>	<u><u>\$ 1,612,446</u></u>	<u><u>\$ 144,631</u></u>

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

CITY OF SOUTH PITTSBURG, TENNESSEE
Statement of Net Position
Proprietary Fund
June 30, 2023

	South Pittsburg Board of Water Works and Sewers	Marion Natural Gas	Total
ASSETS			
Current Assets			
Cash and equivalents	\$ 5,361,894	8,410,978	\$ 13,772,872
Investments	-	132,391	132,391
Accounts receivable - net	313,588	340,820	654,408
Due from other governments	-	867,996	867,996
Inventory	122,310	726,121	848,431
Due from other funds	-	575,044	575,044
	<u>5,797,792</u>	<u>11,053,350</u>	<u>16,851,142</u>
Total Current Assets			
Non-current Assets			
Capital assets			
Capital assets not being depreciated	531,319	2,686,330	3,217,649
Other capital assets - net of accumulated depreciation	9,247,614	4,191,263	13,438,877
Total capital assets	<u>9,778,933</u>	<u>6,877,593</u>	<u>16,656,526</u>
Deposits	10,000	10,000	20,000
	<u>9,788,933</u>	<u>6,887,593</u>	<u>16,676,526</u>
Total Non-current Assets			
	<u>\$ 15,586,725</u>	<u>\$ 17,940,943</u>	<u>\$ 33,527,668</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	\$ 499,037	\$ 520,016	\$ 1,019,053
	<u>\$ 499,037</u>	<u>\$ 520,016</u>	<u>\$ 1,019,053</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES			
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 57,135	\$ 710,238	\$ 767,373
Accrued liabilities	106,088	157,224	263,312
Due to other funds	575,044	-	575,044
Notes payable - current portion	69,563	70,563	140,126
Total Current Liabilities	<u>807,830</u>	<u>938,025</u>	<u>1,745,855</u>
Non-current Liabilities			
Customer deposits	97,485	149,028	246,513
Net pension liability	168,638	180,213	348,851
Compensated absences	31,851	33,924	65,775
Bonds payable - long-term portion	2,915,867	603,068	3,518,935
Total Non-current Liabilities	<u>3,213,841</u>	<u>966,233</u>	<u>4,180,074</u>
	<u>\$ 4,021,671</u>	<u>\$ 1,904,258</u>	<u>\$ 5,925,929</u>
Total Liabilities			
NET POSITION			
Net investment in capital assets	\$ 6,793,503	\$ 5,685,015	\$ 12,478,518
Unrestricted	5,270,470	10,813,737	16,084,207
	<u>\$ 12,063,973</u>	<u>\$ 16,498,752</u>	<u>\$ 28,562,725</u>
Total Net Position			

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

CITY OF SOUTH PITTSBURG, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Net Position
Proprietary Fund
Year Ended June 30, 2023

	South Pittsburg Board of Water Works and Sewers	Marion Natural Gas	Total
OPERATING REVENUES			
Charges for services	\$ 1,964,901	\$ 5,344,094	\$ 7,308,995
Propane sales	-	1,113,552	1,113,552
Other revenues	179,372	198,011	377,383
Total Operating Revenues	<u>2,144,273</u>	<u>6,655,657</u>	<u>8,799,930</u>
OPERATING EXPENSES			
Cost of sales	\$ 514	\$ 4,404,640	\$ 4,405,154
Payroll and related expense	767,194	1,017,359	1,784,553
Customer accounting and collection	23,060	24,540	47,600
Treatment and distribution	387,552	286,526	674,078
Administration and general	306,091	325,772	631,863
Depreciation	568,596	328,023	896,619
Total Operating Expenses	<u>2,053,007</u>	<u>6,386,860</u>	<u>8,439,867</u>
Operating income (loss)	\$ 91,266	\$ 268,797	\$ 360,063
NON-OPERATING REVENUES (EXPENSES)			
Interest earnings	\$ 76,593	\$ 103,561	\$ 180,154
Interest expense	(67,536)	(12,270)	(79,806)
Total Non-operating Revenues (Expenses)	<u>9,057</u>	<u>91,291</u>	<u>100,348</u>
Capital contributions	\$ -	\$ 1,441,517	\$ 1,441,517
Changes in net position	\$ 100,323	\$ 1,801,605	\$ 1,901,928
Net Position - beginning	11,963,650	14,373,487	26,337,137
Restatement-due to accounting error	-	323,660	323,660
Net Position - end	<u>\$ 12,063,973</u>	<u>\$ 16,498,752</u>	<u>\$ 28,562,725</u>

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

CITY OF SOUTH PITTSBURG, TENNESSEE
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2023

	South Pittsburg Board of Water Works and Sewers	Marion Natural Gas	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 1,978,523	\$ 6,750,840	\$ 8,729,363
Payments to suppliers	(978,754)	(5,225,690)	(6,204,444)
Payments to employees	(351,911)	(1,197,153)	(1,549,064)
Net cash provided (used) by operating activities	647,858	327,997	975,855
Cash Flows from Capital and Related Financing Activities			
Loan principal payments	(80,292)	(57,579)	(137,871)
Loan interest payments	(67,536)	(12,270)	(79,806)
Capital contributions	-	964,672	964,672
Purchase of capital assets	(207,574)	(1,925,154)	(2,132,728)
Net cash provided (used) by capital and related financing activities	(355,402)	(1,030,331)	(1,385,733)
Cash Flows from Investing Activities			
Interest earned	76,593	100,946	177,539
Net increase (decrease) in cash	369,049	(601,388)	(232,339)
Cash - beginning	4,992,845	9,012,366	14,005,211
Cash - end	\$ 5,361,894	\$ 8,410,978	\$ 13,772,872
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 91,266	\$ 268,797	\$ 360,063
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	568,596	328,023	896,619
(Increase) decrease in accounts receivable - net	(165,750)	92,036	(73,714)
(Increase) decrease in deferred outflows related to pension	(286,649)	(231,828)	(518,477)
(Increase) decrease in inventory	41,805	489,243	531,048
(Increase) decrease in prepaid expense	-	-	-
Increase (decrease) in accounts payable	(62,688)	(287,357)	(350,045)
Increase (decrease) in accrued liabilities	91,835	68,726	160,561
Increase (decrease) in net pension liability	89,462	72,779	162,241
Increase (decrease) in deferred inflows related to pension	(106,208)	(86,324)	(192,532)
Increase (decrease) in due to other funds	386,189	(386,098)	91
Total adjustments	556,592	59,200	615,792
Net cash provided (used) by operating activities	647,858	327,997	975,855
Supplemental disclosure of noncash capital and related financing activities			
Purchase of utility plant, financed by accounts payable	\$ -	\$ 507,044	\$ 507,044

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

CITY OF SOUTH PITTSBURG, TENNESSEE
Notes to Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of South Pittsburg, Tennessee operates under the City Recorder - Mayor and City Council form of government within the following departments: general government, public safety, public works, public welfare and recreation.

The financial statements of the City of South Pittsburg, 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 reporting entity, 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 City of South Pittsburg, 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 inclusion in the City of South Pittsburg's financial statements.

B. Basic Financial Statements

The basic financial statements include both government-wide (based on the City 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basic Financial Statements (continued)

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 City. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis, 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 non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. 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 City and for each function of the City'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. 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 City as a complete City and the change in aggregate financial position resulting from the activities of the fiscal period.

Fund Financial Statements

The fund financial statements provide information about the City'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.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following **major governmental funds**:

General Fund

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basic Financial Statements (continued)

Sanitation Fund

This fund is used to account for funds received and expended for the City's sanitation.

The City reports the following **major enterprise funds**:

Board of Water Works and Sewers

This fund is used to account for the provision of water services to residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing, billing and collection.

Marion Natural Gas

This fund is used to account for the provision of natural and propane gas services to residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing, billing and collection.

Additionally, the City reports the following **nonmajor governmental funds**:

Special Revenue Funds

These types of funds are used to account for the proceeds of specific revenue sources (other than major capital projects) or committed sources requiring separate accounting because of legal or regulatory provisions or administrative action. The special revenue funds include the Sanitation and Drug Control.

Generally, the effect of interfund activity has been removed from the government-wide financial statements, with the exception of interfund services provided and used which are not eliminated in the process of consolidation. Net interfund activities and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

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, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 City 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, income 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operation. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets and Budgetary Accounting

Formal budgets are adopted for the General Fund the major funds and each Special Revenue Funds on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgets for Enterprise Funds are adopted by the Councilmen for a management tool. Therefore, no adjustments are necessary to convert to the actual GAAP data from the budgetary basis.

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

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

E. Cash and Cash Equivalents

Cash consists of cash-on-hand and cash-on-deposit with financial institutions. For purposes of reporting cash on the Statement of Cash Flows, the City considers unrestricted highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash is reported on the Statement of Net Position as "Cash". At June 30, 2023, the City had no cash equivalents.

F. Investments

All investments are reported at fair value, which is based on quoted market prices. The City is authorized by State Statutes to invest 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 the 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 1st on property values assessed by the county for that calendar year. The billings are mailed October 1st 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 1st, the bill becomes delinquent and penalties and interest may be assessed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Property Taxes (continued)

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 2023 levy is \$0.7391 per \$100 of assessed valuation.

Lien date	January 1, 2023
Levy date	January 1, 2023
Tax bills mailed	October 1, 2023
Payment due date	By February 28, 2024
Delinquency date	March 1, 2024

H. 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 to other funds and due from other funds in the fund financial statements, and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Transactions between Funds

Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures or expense in the fund that is reimbursed. All other legally authorized transfers are not eliminated but treated as transfers and are included as other financing sources or uses in the governmental funds and reported after non-operating revenues or expenses in the enterprise funds.

I. Prepayment of Expenditures

Governmental fund expenditures for insurance and similar services extending over more than one accounting period are allocated between the accounting periods to which they relate.

J. Inventories

Inventories, principally materials, supplies and replacement parts, 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 purchase. Inventories on hand at year-end are physically counted and recorded as assets, reducing the appropriate expense account.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Restricted Assets

Certain resources can be classified as restricted assets on the Statement of Net Position because their use is limited. See note 19 for detail on restricted assets.

L. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., primary roads, secondary roads, drainage), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three 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 of the proprietary funds are accounted for in the proprietary funds and are stated at cost or estimated fair value when original cost is not available. Major additions are capitalized while maintenance and repairs, including the cost of minor items of property, are expensed as incurred. Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains or losses are reflected in income. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets.

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

Buildings	10-40 years
Vehicles	5-7 years
Machinery and equipment	7-10 years
Lines and distribution systems	20-50 years
Infrastructure	25 years

M. 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 City has one item that qualifies for reporting in this category: deferred outflows related to Pensions.

N. NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Deferred Outflows/Inflows of Resources (continue)

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 two items that qualify for reporting in this category: Pensions and property taxes.

N. Compensated Absences

City employees are granted annual leave in varying amounts. In the event of termination, an employee is paid for accumulated annual leave. Government-wide proprietary funds accrue vacation benefits in the period they are earned. A liability for these amounts is reported in governmental funds only if they have matured.

O. Customer Deposits

The customer deposits represent the liability to the customer for refundable deposits received from the customers.

P. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position.

Q. 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 the City of South Pittsburg's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the City'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.

R. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. 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 City cannot spend these amounts because they are nonspendable form or because they are legally or contractually required to be maintain intact.

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 City Council 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 City Council 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.

T. 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.

U. Events Occurring after Reporting Date

The City has evaluated events and transactions that occurred between June 30, 2023, and July 8, 2024, 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 City's deposits may not be returned to it. The City 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 City's deposits was \$16,071,404 and the bank balance was \$16,071,404. None of the City's bank balance was exposed to custodial credit risk as uninsured or uncollateralized due to the fact that all of its deposits and investments are in a financial institution that is a participant in the State of Tennessee collateral pool or are fully collateralized.

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

Cash and cash equivalents	\$ 15,938,990
Investments	132,414
Restricted cash	-
Gross Total	<u>16,071,404</u>
Less: Investment in LGIP	(23)
Utilities LGIP in Cash and cash equivalents	(3,988,867)
Petty Cash	<u>(225)</u>
Net Total	<u>\$ 16,071,156</u>

NOTE 3 – Investments

The City's investments are carried at fair value, and consist of investments in the State of Tennessee's Local Government Investment Pool (LGIP). The LGIP is considered a 2a-7 like account (SEC designation) and is only required to be reported at amortized cost. The LGIP is an unrated investment pool. Because the fund is valued at a constant dollar, the City's position in the pool is equal to its account balance (fair value) as of June 30, 2023.

As of June 30, 2023, the City also held certificates of deposit with initial maturities of greater than three months which have been classified as investments. The certificates of deposit earn interest and are invested with banks participating in the state bank collateral pool.

NOTE 4 – PROPERTY TAXES RECEIVABLE – NET

Property taxes receivable as of June 30, 2023 consists of the following:

<u>Year of Levy</u>	
2023	697,280
2022	44,016
2021	19,239
2020	4,340
2019	1,159
2018	5,283
2017	699
2016	2,086
2015	2,559
2014	1,083
2013	1,055
	<hr/>
	778,799
Less: Allowance for uncollectibles	(27,856)
Property taxes receivable-net	<hr/> <hr/>
	750,943

NOTE 5 – ACCOUNTS RECEIVABLE – NET

Accounts receivable – net at June 30, 2023 consists of the following:

	Governmental Activities	Business- Type Activities	Total
Customer accounts, net	\$ -	\$ 654,408	\$ 654,408
Wholesale beer & liquor tax	16,770	-	16,770
Miscellaneous	268	-	268
Gross total	<hr/>	<hr/>	<hr/>
	17,038	654,408	671,446
Net total	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	17,038	654,408	671,446

NOTE 6 – DUE FROM OTHER GOVERNMENTS

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

	Governmental Activities	Business-Type Activities	Total
State street aid	\$ 18,449	\$ -	\$ 18,449
City street and transportation	948	-	948
State sales tax	65,999	-	65,999
Local sales tax	157,224	-	157,224
Business tax	603	-	603
State mixed drink	1,276	-	1,276
Sportsbetting tax	1,234	-	1,234
Grant Funding	67,822	867,996	935,818
	-	-	-
Total	<u>\$ 313,555</u>	<u>\$ 867,996</u>	<u>\$ 1,181,551</u>

NOTE 7 – INTERNAL BALANCES

Internal balances at June 30, 2023 consists of the following:

Due to:	Due from:					
	General fund	Sanitation	Drug	Water and sewer	Gas	Total
General fund	\$ (231)	\$ -	\$ 231	\$ -	\$ -	\$ -
Sanitation	-	-	-	-	-	-
Drug	-	-	-	-	-	-
Water and sewer	-	-	-	-	575,044	575,044
Gas	-	-	-	(575,044)	-	(575,044)
Total	<u>\$ (231)</u>	<u>\$ -</u>	<u>\$ 231</u>	<u>\$ (575,044)</u>	<u>\$ 575,044</u>	<u>\$ -</u>

NOTE 8 – PREPAID EXPENSES

At June 30, 2023, the City had no prepaid expenses.

NOTE 9 – CAPITAL ASSETS

	Balance as of July 1, 2022	Additions	Deletions	Balance as of June 30, 2023
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 151,499	\$ -	\$ -	\$ 151,499
Construction in process	8,495	-	-	8,495
Total capital assets not being depreciated	<u>159,994</u>	<u>-</u>	<u>-</u>	<u>159,994</u>
Capital assets being depreciated:				
Building and other improvements	2,403,831	18,922	-	2,422,753
Infrastructure	725,509	67,822	-	793,331
Machinery and equipment	1,830,953	344,704	-	2,175,657
Total capital assets being depreciated	<u>4,960,293</u>	<u>431,448</u>	<u>-</u>	<u>5,391,741</u>
Less accumulated depreciation	<u>(2,877,210)</u>	<u>(235,488)</u>	<u>-</u>	<u>(3,112,698)</u>
Total capital assets being depreciated-net	<u>2,083,083</u>	<u>195,960</u>	<u>-</u>	<u>2,279,043</u>
Governmental activities capital assets-net	<u>2,243,077</u>	<u>195,960</u>	<u>-</u>	<u>2,439,037</u>
	Balance as of July 1, 2022	Additions	Deletions	Balance as of June 30, 2023
Business-Type activities:				
Capital assets not being depreciated:				
Land and right of way	\$ 434,375	\$ -	\$ -	\$ 434,375
Construction in process	1,802,673	2,056,297	(1,075,696)	2,783,274
Total capital assets not being depreciated	<u>2,237,048</u>	<u>2,056,297</u>	<u>(1,075,696)</u>	<u>3,217,649</u>
Capital assets being depreciated:				
Plant in operation	29,705,957	1,109,545	-	30,815,502
Machinery and equipment	3,064,480	110,958	-	3,175,438
Total capital assets being depreciated	<u>32,770,437</u>	<u>1,220,503</u>	<u>-</u>	<u>33,990,940</u>
Less accumulated depreciation	<u>(19,655,444)</u>	<u>(896,619)</u>	<u>-</u>	<u>(20,552,063)</u>
Total capital assets being depreciated-net	<u>13,114,993</u>	<u>323,884</u>	<u>-</u>	<u>13,438,877</u>
Governmental activities capital assets-net	<u>15,352,041</u>	<u>2,380,181</u>	<u>(1,075,696)</u>	<u>16,656,526</u>

NOTE 9 – CAPITAL ASSETS (continued)

Depreciation expense was charged to functions of government as follows:

General government	\$	48,425
Public safety		48,704
Public works (Streets and Highways)		133,131
Sanitation		5,228
Total	\$	<u>235,488</u>
Board of Waterworks and Sewer	\$	568,596
Marion Natural Gas		328,023
Total	\$	<u>896,619</u>

The City did not acquire any intangible assets that would require reporting under GASB Statement No. 51.

NOTE 10 – DEFERRED OUTFLOWS RELATED TO PENSIONS

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

Beginning Balance	\$	861,873
Differences between expected and actual experience		323,168
Differences between projected and actual investment		17,833
Changes in assumptions		206,855
Prior year employer contributions		(233,953)
Current Year employer contributions		977,075
Amortization of deferral		(630,487)
Netting investment earnings		2,597
Total	\$	<u>1,524,961</u>

NOTE 11 – NET PENSION LIABILITY

Net pension liability at June 30, 2023 consists of:

Beginning balance	\$	321,297
Service cost		176,881
Interest expense		258,140
Plan administrative expense		4,182
Employer contributions		(233,953)
Differences between expected and actual experience		(44,979)
Net investment income		131,639
Total	\$	<u>613,207</u>

NOTE 12 – LONG-TERM DEBT

Long-term debt, which consists of bonds payable, notes payable, and accrued leave is summarized as follows:

Governmental Debt

	Balance as of June 30, 2023
Capital Outlay, Series 2022	<u>135,824</u>
USDA loan, Series 2016	97,359
Vehicle Capital Outlay, Series 2019	11,413
USDA GO Bond, Series 2020	90,498
Net pension Liability	264,356
Compensated absences payable	41,146
Total	<u>640,596</u>
Less: amounts due within one year	<u>(59,539)</u>
Total long-term debt due after one year	<u>\$ 581,057</u>

NOTE 12 – LONG-TERM DEBT (continued)

Business-type Debt

	Balance as of June 30, 2023
Capital Outlay, Gas 2022	\$ 673,631
Rural Development, Sewer 92-07	421,938
Rural Development, Sewer 92-11	2,563,492
Net pension Liability	348,851
Compensated absences payable	65,775
Total	<u>4,073,687</u>
Less: amounts due within one year	<u>(140,126)</u>
Total long-term debt due after one year	<u>\$ 3,933,561</u>

A summary of changes in long-term debt for the year ended June 30, 2023, are as follows:

Governmental activities:

	Balance as of July 1, 2022	Additions	Retirements	Balance as of June 30, 2023	Amount due within one year
Direct Borrowings:					
Capital Outlay, Series 2022	\$ 166,689	\$ -	\$ (30,865)	\$ 135,824	\$ 34,051
USDA loan, Series 2016	99,332	-	(1,973)	97,359	2,018
Vehicle Capital Outlay, Series 2019	37,385	-	(25,972)	11,413	11,413
USDA GO Bond, Series 2020	102,273	-	(11,775)	90,498	12,057
Total	<u>\$ 405,679</u>	<u>\$ -</u>	<u>\$ (70,585)</u>	<u>\$ 335,094</u>	<u>\$ 59,539</u>
Other Debt:					
Net pension Liability	134,687	129,669	-	264,356	-
Compensated absences	34,917	6,229	-	41,146	-
OPEB Liability	7,716	-	(7,716)	-	-
Total debt	<u>\$ 582,999</u>	<u>\$ -</u>	<u>\$ (78,301)</u>	<u>\$ 640,596</u>	<u>\$ 59,539</u>
Less current portion of governmental long-term debt:				<u>(59,539)</u>	
Total governmental long-term debt				<u>\$ 581,057</u>	

NOTE 12 – LONG-TERM DEBT (continued)

Business-type activities:

	Balance as of July 1, 2022	Additions	Retirements	Balance as of June 30, 2023	Amount due within one year
Direct Borrowings:					
Capital Outlay, Gas 2022	\$ 731,210	\$ -	\$ (57,579)	\$ 673,631	\$ 58,028
Rural Development, Sewer 92-07	433,063	-	(11,125)	421,938	11,535
Rural Development, Sewer 92-11	2,632,659	-	(69,167)	2,563,492	70,563
Total	<u>\$ 3,796,932</u>	<u>\$ -</u>	<u>\$ (137,871)</u>	<u>\$ 3,659,061</u>	<u>\$ 140,126</u>
Other Debt:					
Net pension Liability	186,610	162,241	-	348,851	-
Compensated absences	63,825	1,950	-	65,775	-
OPEB Liability	<u>7,897</u>	<u>-</u>	<u>(7,897)</u>	<u>-</u>	<u>-</u>
Total debt	<u>\$ 4,055,264</u>	<u>\$ -</u>	<u>\$ (145,768)</u>	<u>\$ 4,073,687</u>	<u>\$ 140,126</u>
Less current portion of business-type long-term debt:				<u>(140,126)</u>	
Total business-type long-term debt				<u>\$ 3,933,561</u>	

As of June 30, 2023, the City’s summary of requirements is as follows:

Governmental activities:

Year Ending June 30	Principal	Interest	Total
2024	\$ 59,539	\$ 7,410	\$ 66,949
2025	49,173	5,980	55,153
2026	50,243	4,911	55,154
2027	46,628	3,817	50,445
2028	15,466	2,798	18,264
2029-2033	39,063	10,029	49,092
2034-2038	13,222	7,717	20,939
2039-2043	14,794	6,146	20,940
2044-2048	16,554	4,386	20,940
2049-2053	18,523	2,416	20,939
2054-2056	<u>11,889</u>	<u>409</u>	<u>12,298</u>
Total	<u>\$ 335,094</u>	<u>\$ 56,019</u>	<u>\$ 391,113</u>

NOTE 12 – LONG-TERM DEBT (continued)

Business-type activities:

Year Ending		Principal		Interest		Total
June 30						
2024	\$	140,126	\$	76,999	\$	217,125
2025		142,993		74,132		217,125
2026		145,922		71,200		217,122
2027		148,915		68,210		217,125
2028		151,974		65,151		217,125
2029-2033		808,141		277,485		1,085,626
2034-2038		583,116		201,670		784,786
2039-2043		602,600		136,540		739,140
2044-2048		637,257		64,177		701,434
2049-2051		298,017		7,834		305,851
<hr/>						
Total	\$	3,659,061	\$	1,043,398	\$	4,702,459

The City has outstanding a USDA general obligation bond and capital outlay notes from direct borrowings and direct placements related to governmental activities totaling \$335,094. Direct borrowings related to business-type activities consists of two rural development issues for sewer improvements and a capital outlay gas note totaling \$3,659,061.

The City does not have any unused lines of credit.

NOTE 13 – DEFERRED REVENUE PROPERTY TAX

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:

	Unavailable	Unearned	Total
Property taxes	\$ 53,663	\$ 697,280	\$ 750,943

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

NOTE 14 – DEFERRED INFLOWS RELATED TO PENSIONS

Deferred inflows related to pensions at June 30, 2023 consists of:

Beginning Balance	\$	431,472
Differences between expected and actual experience		85,063
Differences between projected and actual investment		(295,500)
Amortization of deferral		(138,569)
Netting investment earnings		2,597
Total	\$	<u>85,063</u>

NOTE 15 – COMMERCIAL LEASE

The City did not have any qualified leases as of June 30, 2023.

NOTE 16 – TRANSFER

During the year the City had no operating transfers.

NOTE 17 – PENSION PLAN

General Information About the Pension Plan

Plan description

Employees of the City of South Pittsburg, Tennessee, 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>.

NOTE 17 – PENSION PLAN (continued)

General Information About the Pension Plan (continued)

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.

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	11
Inactive employees entitled to but not yet receiving benefits	42
Active employees	41
Total Employees	<u>94</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. The City of South Pittsburg 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 the City of South Pittsburg were \$977,075 based on a rate of 42.24% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City of South Pittsburg’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.

Pension liabilities (assets)

The City of South Pittsburg’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.

NOTE 17 – PENSION PLAN (continued)

General Information About the Pension Plan (continued)

Actuarial assumptions

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

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

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.

Changes of assumptions

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class is 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%	31.00%
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%	1.00%
		<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 percent based on a blending of the factors described above.

NOTE 17 – PENSION PLAN (continued)

General Information About the Pension Plan (continued)

Discount rate

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

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at June 30, 2021	\$ 3,701,668	\$ 3,380,371	\$ 321,297
Changes for the year:			-
Service cost	176,881	-	176,881
Interest	258,140	-	258,140
		-	-
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(44,979)	-	(44,979)
Changes in assumptions	-	-	-
Contributions-employer	-	233,953	(233,953)
Contributions-employees	-	-	-
Net investment income	-	(131,639)	131,639
Benefit payments, including refunds of employee contributions	(108,500)	(108,500)	-
Administrative expense	-	(4,182)	4,182
Other changes	-	-	-
Net changes	<u>281,542</u>	<u>(10,368)</u>	<u>291,910</u>
Balance June 30, 2022	<u>\$ 3,983,210</u>	<u>\$ 3,370,003</u>	<u>\$ 613,207</u>

NOTE 17 – PENSION PLAN (continued)

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

The following presents the net pension liability (asset) of the City of South Pittsburg 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%)
City of South Pittsburg's Net pension liability (asset)	\$ 1,186,801	\$ 613,207	\$ 138,149

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 fiscal year ended June 30, 2023, the City of South Pittsburg, Tennessee recognized pension expense (negative pension expense) of \$262,055.

Deferred outflows of resources and deferred inflows of resources

For the fiscal year ended June, 30, 2023, the City of South Pittsburg, Tennessee 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	\$ 323,168	\$ 85,063
Net difference btween projected and actual earnings on pension plan investments	17,833	-
Changes in assumptions	206,885	-
Contributions subsequent to the measurement date of June 30, 2022	977,075	(not applicable)
Total	<u>\$ 1,524,961</u>	<u>\$ 85,063</u>

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

NOTE 17 – PENSION PLAN (continued)

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

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

Year ended June 30:

2024	\$	56,655
2025		66,486
2026		43,976
2027		154,226
2028		81,445
Thereafter		60,028

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

Payable to the pension plan

At June 30, 2023, the City of South Pittsburg reported a payable of \$10,211 for outstanding amount of contributions to the pension plan required at the year ended June 30, 2023.

NOTE 18 – POST OTHER EMPLOYEE BENEFITS (OPEB)

Local Government OPEB Plan

General information about the OPEB plan

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

Benefits provided - The City of South Pittsburg offers the LGOP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the LGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums.[Entities should insert language to explain their

NOTE 18 – POST OTHER EMPLOYEE BENEFITS (OPEB) (continued)

General information about the OPEB plan (continued)

direct subsidy policy for pre-65 retiree insurance coverage or the fact that they do not directly subsidize and are only subject to the implicit]. The LGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees covered by benefit terms - At July 1, 2022, the following employees of City of South Pittsburg was covered by the benefit terms of the LGOP:

Inactive employees currently receiving benefit payments	-
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	-
Total	- ----- -----

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2023, the City of South Pittsburg paid \$0 to the LGOP for OPEB benefits as they came due.

Total OPEB Liability

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

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost tend rates	8.37% for pre-65 in 2022, decreasing annually over a 7 year period to an ultimate rate of 4.50%. 8.99% for post-65 in 2022, decreasing annually over an 8 year period to an ultimate rate of
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

NOTE 18 – POST OTHER EMPLOYEE BENEFITS (OPEB) (continued)

General information about the OPEB plan (continued)

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

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

Changes in the Total OPEB Liability

LGOP:

	Total OPEB Liability
	(a)
Total OPEB liability-beginning balance	<u>17,036</u>
Changes for the year:	
Service cost	3,916
Interest	451
Changes of benefit terms	(21,229)
Difference between expected and actual experience	-
Change in assumptions	-
Benefit payments	<u>(174)</u>
Net Changes	<u>(17,036)</u>
Total OPEB liability-ending balance	<u>-</u>

NOTE 18 – POST OTHER EMPLOYEE BENEFITS (OPEB) (continued)

General information about the OPEB plan (continued)

Changes in assumptions - The discount rate was changed from 2.16% as of the beginning of the measurement period to 3.54% as of June 30, 2022. This change in assumption increased the total OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and health trend rates. In addition, the City closed the LGOP and it is being reflected in this report. The closing of the plan resulted in benefit changes of (\$21,229). This change is reflected in the special item on the Government Wide Statement of Activities in the amount of \$22,070

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

	<u>1% Decrease (2.54%)</u>	<u>Discount Rate (3.54%)</u>	<u>1% Increase (4.54%)</u>
City of South Pittsburg's Total OPEB liability	\$ -	\$ -	\$ -

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

	<u>1% Decrease (7.37%/7.99% decreasing to 3.50%)</u>	<u>Healthcare Cost Trend Rates (8.37%/8.99% decreasing to 4.50%)</u>	<u>1% Increase (9.37%/9.99% decreasing to 5.50%)</u>
City of South Pittsburg's Total OPEB liability	\$ -	\$ -	\$ -

NOTE 18 – POST OTHER EMPLOYEE BENEFITS (OPEB) (continued)

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

OPEB expense - For the fiscal year ended June 30, 2023, City of South Pittsburg recognized OPEB expense of (\$33,965).

Deferred outflows of resources and deferred inflows of resources - For the fiscal year ended June, 30, 2023, City of South Pittsburg reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

	<u>Deferred outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Employer payments subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

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

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

LGOP

Year ended June 30:

2024	\$ -
2025	-
2026	-
2027	-
2028	-
Thereafter	-

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

NOTE 19 – NET POSITION RESTRICTIONS

The City can restrict net position to be maintained for specific purposes. The nature and purpose of these restrictions are explained as follows:

Sanitation funds in the amount of \$1,975 are legally restricted for sanitation expenditures.

Drug funds in the amount of \$10,930 are legally restricted for drug control expenditures.

NOTE 20 – FUND BALANCES

Fund balances are as follows:

Nonspendable:

The City had no nonspendable fund balance as of June 30, 2023.

Restricted:

Sanitation funds in the amount of \$1,975 are legally restricted for sanitation expenditures.

Drug funds in the amount of \$10,930 are legally restricted for drug control expenditures.

Assigned:

Amounts that are designated by the Mayor for a specific purpose but are not spendable until a budget ordinance is passed by the City's council. The City had no assigned fund balance as of June 30, 2023.

Unassigned:

In accordance with generally accepted accounting principles, the general fund is the only fund at the City 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 21 – PRIOR PERIOD ADJUSTMENT

Correction of Errors in Previously Issued Financial Statements

A prior period adjustment was made to reflect a change in accounting policy related to natural gas inventory. The new method of accounting for storage natural gas was adopted to better reflect the average cost of inventory. The current year financial statements have been adjusted to apply the new method retrospectively. As of July 1, 2022, in the natural gas fund, the change in accounting principle resulted in an increase of \$254,468 to inventory and unrestricted net position.

Net prior period adjustments of \$69,192 related to correction of errors were recorded by the natural gas fund on July 1, 2022. The adjustments were made to increase accounts payable by \$321,959 and grants receivable by \$391,151.

NOTE 21 – PRIOR PERIOD ADJUSTMENT (continued)

Correction of Errors in Previously Issued Financial Statements (continued)

The prior period adjustments above resulted in a net increase of \$323,660 to the net position of the natural gas fund and changed the previously stated net position from \$14,373,487 to \$14,697,147.

NOTE 22 – 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 Government-wide Statement of Net Position. One element of that reconciliation states that “Net Pension Liability 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 \$214,556 difference are as follows:

Deferred outflows related to pensions	\$	505,908
Net pension liability		(264,356)
Deferred inflows related to pensions		(26,996)
		<hr/>
Net adjustment	\$	<u>214,556</u>

Another element of that reconciliation states that “Capital assets used in government activities are not financial resources and, therefore, are not reported in the governmental fund balance sheet.” The details of this \$2,439,037 difference are as follows:

Capital Assets	\$	5,551,735
Accumulated depreciation		(3,112,698)
		<hr/>
Net adjustment	\$	<u>2,439,037</u>

Another element of that reconciliation states that “Some property tax will not be collected for several months after the City’s fiscal year end; they are not considered “available” revenues in the governmental funds.” The details of this \$53,663 difference are as follows:

Deferred revenue- property tax	\$	750,943
Deferred revenue- property tax - Unearned		(697,280)
		<hr/>
Net adjustment	\$	<u>53,663</u>

NOTE 22 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Another element of that reconciliation states that “Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.” The details of this (\$376,240) difference are as follows:

Bond payable	\$	(335,094)
Compensated absences		(41,146)
Net adjustment	\$	<u>(376,240)</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 \$195,959 difference is as follows:

Capital outlay	\$	431,448
Depreciation expense		(235,489)
Net adjustment	\$	<u>195,959</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 \$150,106 difference are as follows:

Pension expense	\$	77,902
Prior year contribution changes		(233,953)
Contributions		284,087
Special item related to OPEB		22,070
Net adjustment	\$	<u>150,106</u>

NOTE 22 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Another element of that reconciliation states that “Accrued leave reported in the Statement of Activities does not require the use of current financial resources and, therefore, is reported as expenditures in governmental funds.” The details of this \$6,229 difference are as follows:

Compensated absences-PY	(34,917)
Compensated absences-CY	41,146
Net adjustment	<u>\$ 6,229</u>

Another element of that reconciliation states that “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this (\$53,663) difference are as follows:

Account receivable- property tax	\$ (750,943)
Deferred inflow related to property tax	697,280
Net adjustment	<u>\$ (53,663)</u>

NOTE 23 – RISK MANAGEMENT

The City 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. Commercial insurance is carried for employees’ bonds and certain property destruction and employee health and accident claims. The City also participates in the Public Entity Partners Pool (PEP), formerly, the Tennessee Municipal League Risk Management Pool, a public entity risk pool currently operating a workers’ compensation common risk management and insurance program. The PEP is a cooperative risk sharing arrangement between local government agencies that works in many ways like a traditional insurer, management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the three past fiscal years.

NOTE 24 – LITIGATION AND CLAIMS

The City is not aware of any litigation or claims that would be material to the City’s financial statements.

NOTE 25 – COMMITMENTS AND CONTINGENCIES

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

The Utility System purchases natural gas under a contract requiring the purchase of minimum quantities of natural gas from suppliers at cost based upon national index prices through March 31, 2026. Natural gas purchases exceeding the specified minimum quantities are made at the going market value. Utility System management believes any risk associated with the minimum purchase quantities as specified in the contracts to be minimal.

As of June 30, 2023, the Utility System entered into several construction contracts with a cost of approximately \$2,800,000 and, to date, has spent approximately \$1,900,000 of committed funds, with the remaining balance of approximately \$900,000 in outstanding commitments at year-end.

NOTE 26 – SUBSEQUENT EVENTS

The Utility System was awarded American Rescue Plan (ARPA) funds in the amount of \$1,393,600 which will be utilized to modernize and expand drinking water infrastructure in the City of South Pittsburg in the subsequent years.

**REQUIRED SUPPLEMENTAL INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CITY OF SOUTH PITTSBURG, TENNESSEE
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on
Participation in the Public Employee Pension Plan of TCRS
June 30, 2023

Total Pension Liability (Asset)	2015	2016	2017	2018	2019	2020	2021	2022
Service cost	\$ 112,647	\$ 129,917	\$ 126,285	\$ 112,397	\$ 115,075	\$ 128,041	\$ 137,058	\$ 176,881
Interest	119,777	137,155	147,969	164,709	171,280	193,168	231,118	258,140
Change in benefit terms	-	-	-	-	-	-	-	-
Differences between actual and expected experience	20,659	(71,780)	13,780	(96,298)	-	291,721	96,510	(44,979)
Change of assumptions	-	-	77,467	-	112,204	-	241,092	-
Benefit payments, including refunds of employee contributions	(34,023)	(43,291)	(51,655)	(53,710)	(131,979)	(87,259)	(109,762)	(108,500)
Net change in total pension liability (asset)	219,060	152,001	313,846	127,098	266,580	525,671	596,016	281,542
Total pension liability (asset), beginning	1,501,396	1,720,456	1,872,457	2,186,303	2,313,401	2,579,981	3,105,652	3,701,668
Total pension liability (asset), ending (a)	<u>\$ 1,720,456</u>	<u>\$ 1,872,457</u>	<u>\$ 2,186,303</u>	<u>\$ 2,313,401</u>	<u>\$ 2,579,981</u>	<u>\$ 3,105,652</u>	<u>\$ 3,701,668</u>	<u>\$ 3,983,210</u>
Plan Fiduciary Net Position								
Contributions - employer	152,429	154,619	158,622	155,992	171,884	197,617	212,881	233,953
Contributions- employee	-	-	-	-	-	-	-	-
Net investment income	42,157	40,415	189,250	162,696	163,074	120,259	683,024	(131,639)
Benefit payments, including refunds of employee contributions	(34,023)	(43,291)	(51,655)	(53,710)	(131,979)	(87,259)	(109,762)	(108,500)
Administrative expense	(2,081)	(2,965)	(3,270)	(3,762)	(3,725)	(3,825)	(3,825)	(4,182)
Net change in plan fiduciary net position	158,482	148,778	292,947	261,216	199,254	226,792	782,318	(10,368)
Plan fiduciary net position, beginning	1,310,584	1,469,066	1,617,844	1,910,791	2,172,007	2,371,261	2,598,053	3,380,371
plan fiduciary net position, ending (b)	<u>\$ 1,469,066</u>	<u>\$ 1,617,844</u>	<u>\$ 1,910,791</u>	<u>\$ 2,172,007</u>	<u>\$ 2,371,261</u>	<u>\$ 2,598,053</u>	<u>\$ 3,380,371</u>	<u>\$ 3,370,003</u>
Net pension liability (asset), ending (a-b)	<u>\$ 251,390</u>	<u>\$ 254,613</u>	<u>\$ 275,512</u>	<u>\$ 141,394</u>	<u>\$ 208,720</u>	<u>\$ 507,599</u>	<u>\$ 321,297</u>	<u>\$ 613,207</u>
Plan fiduciary net position as a percentage of total pension liability	85.39%	86.40%	87.40%	93.89%	91.91%	83.66%	91.32%	84.61%
Covered employee payroll	\$ 1,494,402	\$ 1,515,874	\$ 1,555,118	\$ 1,529,328	\$ 1,685,133	\$ 1,937,423	\$ 2,087,069	\$ 2,181,471
Net pension liability (asset) as a percentage of covered employee payroll	16.82%	16.80%	17.72%	9.25%	12.39%	26.20%	15.39%	28.11%

Notes to Schedule:

Changes of assumptions. In, 2021 amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of the 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

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

CITY OF SOUTH PITTSBURG, TENNESSEE
Schedule of Contributions Based on Participation in the Public
Employee Pension Plan of TCRS
June 30, 2023

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Actuarially determined contribution	\$ 152,429	\$ 154,619	\$ 158,622	\$ 155,992	\$ 171,884	\$ 184,637	\$ 198,898	\$ 233,953	\$ 977,075
Contributions in relation to the actuarially determined contribution	<u>152,429</u>	<u>154,619</u>	<u>158,622</u>	<u>155,992</u>	<u>171,884</u>	<u>197,617</u>	<u>212,881</u>	<u>233,953</u>	<u>977,075</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,980)</u>	<u>\$ (13,983)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,494,402	\$ 1,515,874	\$ 1,555,118	\$ 1,529,328	\$ 1,685,133	\$ 1,937,423	\$ 2,087,069	\$ 2,181,471	\$ 2,313,163
Contributions as a percentage of covered payroll	10.20%	10.20%	10.20%	10.20%	10.20%	10.20%	10.20%	10.72%	42.24%
Total pension liability (asset), beginning									

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.

In 2023, the plan administrator required a one-time, actuarially determined the contributions of \$711,906 because of

CITY OF SOUTH PITTSBURG, TENNESSEE
Notes to Required Supplementary Information
June 30, 2023

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 2.22 percent; decrease salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

CITY OF SOUTH PITTSBURG, TENNESSEE
Schedule of Changes in Total OPEB Liability and Related Ratios
June 30, 2023

Local Government OPEB Plan

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total OPEB Liability						
Service cost	4,112	3,951	4,137	3,486	3,925	3,916
Interest	705	977	1,420	599	520	451
Changes of benefit terms	-	-	-	-	-	(21,229)
Differences between expected and actual experience	-	4,313	(27,062)	517	(4,259)	-
Changes of assumptions	(1,265)	2,880	571	1,565	(2,770)	-
Benefit payments	-	(209)	(848)	(261)	(1)	(174)
Net change in total OPEB liability	3,552	11,912	(21,782)	5,906	(2,585)	(17,036)
Total OPEB liability- beginning	<u>20,033</u>	<u>23,585</u>	<u>35,497</u>	<u>13,715</u>	<u>19,621</u>	<u>17,036</u>
Total OPEB liability- ending (a)	<u><u>23,585</u></u>	<u><u>35,497</u></u>	<u><u>13,715</u></u>	<u><u>19,621</u></u>	<u><u>17,036</u></u>	<u><u>-</u></u>
Covered-employee payroll	1,529,328	1,733,823	1,598,224	1,654,123	1,548,458	2,313,163
Total OPEB liability as a percentage of covered-employee payroll	1.54%	2.05%	0.86%	1.19%	1.10%	0.00%

Notes to Schedule:

There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

That amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional, years will be displayed as they become available.

OTHER SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Sanitation Fund: This fund is used to account for funds received and expended for the City's sanitation services.

Drug Fund: This fund is used to account for investigations of violations of controlled substance laws and is funded primarily by the state statute from the receipt of fines and costs related to drug enforcement cases.

CITY OF SOUTH PITTSBURG, TENNESSEE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	Sanitation Fund	Drug Fund	Total Governmental Funds
ASSETS			
Cash	\$ 1,975	\$ 11,150	\$ 13,125
Due from other funds	-	231	231
Total Assets	\$ 1,975	\$ 11,381	\$ 13,356
LIABILITIES			
Accrued liabilities	\$ -	\$ 451	\$ 451
Total Liabilities	\$ -	\$ 451	\$ 451
FUND BALANCES			
Restricted	\$ 1,975	\$ 10,930	\$ 12,905
Total Fund Balances	\$ 1,975	\$ 10,930	\$ 12,905

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

CITY OF SOUTH PITTSBURG, TENNESSEE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2023

	Sanitation Fund	Drug Fund	Total Governmental Funds
REVENUES			
Fines and forfeitures	-	2,112	2,112
Charges for services	285,674	-	285,674
Other revenue	269	176	445
Total Revenues	<u>285,943</u>	<u>2,288</u>	<u>288,231</u>
EXPENDITURES			
Current Expenditures			
Public safety	-	4,000	4,000
Public works	263,456	-	263,456
Total Expenditures	<u>263,456</u>	<u>4,000</u>	<u>267,456</u>
Excess (deficiency) of revenues over (under) expenditures	22,487	(1,712)	20,775
Fund Balances - beginning	<u>(20,512)</u>	<u>12,642</u>	<u>(7,870)</u>
Fund Balances - end	<u>\$ 1,975</u>	<u>\$ 10,930</u>	<u>\$ 12,905</u>

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

CITY OF SOUTH PITTSBURG, TENNESSEE
Sanitation Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Charges for Services				
Sanitation fees	264,000	264,000	285,674	21,674
Total Charges for Services	<u>264,000</u>	<u>264,000</u>	<u>285,674</u>	<u>21,674</u>
Other Revenue				
Interest earnings	200	200	269	69
Total Other Revenue	<u>200</u>	<u>200</u>	<u>269</u>	<u>69</u>
Total Revenues	<u>264,200</u>	<u>264,200</u>	<u>285,943</u>	<u>21,743</u>
EXPENDITURES				
Current Expenditures				
Public Works				
Highway and Streets				
Garbage fees	260,000	260,000	263,456	(3,456)
Total Public works	<u>260,000</u>	<u>260,000</u>	<u>263,456</u>	<u>(3,456)</u>
Total Expenditures	<u>260,000</u>	<u>260,000</u>	<u>263,456</u>	<u>(3,456)</u>
Net change in fund balances	4,200	4,200	22,487	(18,287)
Fund Balances - beginning	<u>(20,512)</u>	<u>(20,512)</u>	<u>(20,512)</u>	<u>-</u>
Fund Balances - end	<u>\$ (16,312)</u>	<u>\$ (16,312)</u>	<u>\$ 1,975</u>	<u>\$ (18,287)</u>

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

CITY OF SOUTH PITTSBURG, TENNESSEE
Drug Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Fines and Forfeitures				
Court fines and forfeitures	\$ 4,000	\$ 4,000	\$ 2,112	\$ (1,888)
Total Other Revenue	<u>4,000</u>	<u>4,000</u>	<u>2,112</u>	<u>(1,888)</u>
Other Revenue				
Interest earnings	100	100	176	(76)
Total Other Revenue	<u>100</u>	<u>100</u>	<u>176</u>	<u>(76)</u>
Total Revenues	<u>4,100</u>	<u>4,100</u>	<u>2,288</u>	<u>(1,964)</u>
EXPENDITURES				
Current Expenditures				
Public safety				
Drug enforcement	-	4,000	4,000	-
Total Public safety	<u>-</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Net change in fund balances	4,100	100	(1,712)	1,812
Fund Balances - beginning	<u>12,642</u>	<u>12,642</u>	<u>12,642</u>	<u>-</u>
Fund Balances - end	<u>\$ 16,742</u>	<u>\$ 12,742</u>	<u>\$ 10,930</u>	<u>\$ 1,812</u>

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

CITY OF SOUTH PITTSBURG, TENNESSEE
Schedule of Expenditures of Federal Awards and State Financial Assistance
June 30, 2023

Federal Grantor/ Pass-through Grantor/ Program Title	Assistance Listing Number	Grant/Project Number	Accrued (Receivable) 7/1/2022	Grant Receipts	Grant Expenditures	Accrued (Receivable) 6/30/2023
Federal Programs						
U.S. Department of Transportation High Visibility Enforcement Grant	20.600	Z23THS260	\$ -	\$ 6,638	\$ 6,638	\$ -
U.S. Department of Agriculture ECWAG Grant	10.763	-		18,824	18,824	-
Community Facilities Grant - Fire Truck	10.766	-	-	239,000	239,000	-
U.S. Department of the Treasury Coronavirus State and Local Fiscal Recovery Funds	21.027	-	289,552	449,373	-	738,925
Total Federal Programs			289,552	713,835	264,462	738,925
State Programs						
Project Diabetes Initiative Services		34347-88023	-	-	67,822	(67,822)
Volunteer Firefighter Equipment and Training Grant		33501-2325232	-	56,640	-	56,640
Total State			-	56,640	67,822	(11,182)
Total Federal and State Awards			<u>\$ 289,552</u>	<u>\$ 770,475</u>	<u>\$ 332,284</u>	<u>\$ 727,743</u>

Notes to Schedule:

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the City of South Pittsburg, Tennessee under programs of federal government for the year ended June 30, 2023. Because the schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes on net assets, or cash flows of the Town.

Note B- Summary of Significant Accounting Policies

1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. 2) The City has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 1- Other Auditors

1) Expenditures for the City of South Pittsburg, Tennessee's Business-type activities are not include in the Schedule of Expenditures of Federal Awards and State Financial Assistance. Those Expenditures were audited by other auditors whose report has been furnished to the Tennessee Comptroller of Treasury.

CITY OF SOUTH PITTSBURG, TENNESSEE
Schedule of Changes in Property Tax Receivable
June 30, 2023

<u>Year of Levy</u>	<u>Gross Property Taxes Receivable July 1, 2022</u>	<u>Property Tax Levied</u>	<u>Abatements and Adjustments</u>	<u>Collections</u>	<u>Property Taxes Receivable June 30, 2023</u>
2023		697,280			697,280
2022	568,473		110,093	(634,550)	44,016
2021	81,733		-	(62,494)	19,239
2020	47,654		-	(43,314)	4,340
2019	4,623		-	(3,464)	1,159
2018	7,296		-	(2,013)	5,283
2017	4,117		-	(3,418)	699
2016	3,837		-	(1,751)	2,086
2015	2,559		-	-	2,559
2014	1,083		-	-	1,083
2013	1,055		-	-	1,055
Total	<u>722,430</u>	<u>697,280</u>	<u>110,093</u>	<u>(751,004)</u>	<u>778,799</u>
					(27,856)
					<u>750,943</u>

Notes to Schedule:

All delinquent property taxes have been turned over to the Clerk & Master

CITY OF SOUTH PITTSBURG, TENNESSEE
Tax Rates and Assessed Valuation- Applicable to the Last Ten Years
June 30, 2023

Year of Levy	Tax Rate Per \$100	Assessed Valuation
2023	0.7391	\$ 697,280
2022	0.9900	568,473
2021	0.9900	642,840
2020	0.9900	632,988
2019	0.9900	627,966
2018	0.9900	623,909
2017	0.9900	545,399
2016	0.9900	556,168
2015	0.9900	556,168
2014	0.9900	556,720

CITY OF SOUTH PITTSBURG, TENNESSEE
Schedule of Principal and Interest Requirements
By Fiscal Year
June 30, 2023

Governmental Activities Long-Term Debt

Year Ending June 30	USDA, Series 2016			Vehicle Capital Outlay, Series 2019			USDA GO Bond Series, 2020			Capital Outlay, Series 2022			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 2,018	\$ 2,170	\$ 4,188	\$ 11,413	\$ 382	\$ 11,795	\$ 12,057	\$ 2,019	\$ 14,076	\$ 34,051	\$ 2,839	\$ 36,890	\$ 59,539	\$ 7,410	\$ 66,949
2025	2,064	2,124	4,188	-	-	-	12,347	1,729	14,076	34,762	2,127	36,889	49,173	5,980	55,153
2026	2,111	2,077	4,188	-	-	-	12,643	1,433	14,076	35,489	1,401	36,890	50,243	4,911	55,154
2027	2,159	2,029	4,188	-	-	-	12,947	1,129	14,076	31,522	659	32,181	46,628	3,817	50,445
2028	2,208	1,980	4,188	-	-	-	13,258	818	14,076	-	-	-	15,466	2,798	18,264
2029	2,258	1,930	4,188	-	-	-	13,576	500	14,076	-	-	-	15,834	2,430	18,264
2030	2,310	1,878	4,188	-	-	-	13,670	406	14,076	-	-	-	15,980	2,284	18,264
2031	2,362	1,826	4,188	-	-	-	-	-	-	-	-	-	2,362	1,826	4,188
2032	2,416	1,772	4,188	-	-	-	-	-	-	-	-	-	2,416	1,772	4,188
2033	2,471	1,717	4,188	-	-	-	-	-	-	-	-	-	2,471	1,717	4,188
2034	2,527	1,661	4,188	-	-	-	-	-	-	-	-	-	2,527	1,661	4,188
2035	2,584	1,604	4,188	-	-	-	-	-	-	-	-	-	2,584	1,604	4,188
2036	2,643	1,545	4,188	-	-	-	-	-	-	-	-	-	2,643	1,545	4,188
2037	2,703	1,485	4,188	-	-	-	-	-	-	-	-	-	2,703	1,485	4,188
2038	2,765	1,423	4,188	-	-	-	-	-	-	-	-	-	2,765	1,423	4,188
2039	2,827	1,361	4,188	-	-	-	-	-	-	-	-	-	2,827	1,361	4,188
2040	2,892	1,296	4,188	-	-	-	-	-	-	-	-	-	2,892	1,296	4,188
2041	2,957	1,231	4,188	-	-	-	-	-	-	-	-	-	2,957	1,231	4,188
2042	3,025	1,163	4,188	-	-	-	-	-	-	-	-	-	3,025	1,163	4,188
2043	3,093	1,095	4,188	-	-	-	-	-	-	-	-	-	3,093	1,095	4,188
2044	3,164	1,024	4,188	-	-	-	-	-	-	-	-	-	3,164	1,024	4,188
2045	3,236	952	4,188	-	-	-	-	-	-	-	-	-	3,236	952	4,188
2046	3,309	879	4,188	-	-	-	-	-	-	-	-	-	3,309	879	4,188
2047	3,384	804	4,188	-	-	-	-	-	-	-	-	-	3,384	804	4,188
2048	3,461	727	4,188	-	-	-	-	-	-	-	-	-	3,461	727	4,188
2049	3,540	648	4,188	-	-	-	-	-	-	-	-	-	3,540	648	4,188
2050	3,620	567	4,187	-	-	-	-	-	-	-	-	-	3,620	567	4,187
2051	3,703	485	4,188	-	-	-	-	-	-	-	-	-	3,703	485	4,188
2052	3,787	401	4,188	-	-	-	-	-	-	-	-	-	3,787	401	4,188
2053	3,873	315	4,188	-	-	-	-	-	-	-	-	-	3,873	315	4,188
2054	3,961	227	4,188	-	-	-	-	-	-	-	-	-	3,961	227	4,188
2055	4,051	137	4,188	-	-	-	-	-	-	-	-	-	4,051	137	4,188
2056	3,877	45	3,922	-	-	-	-	-	-	-	-	-	3,877	45	3,922
Total	\$ 97,359	\$ 40,578	\$ 137,937	\$ 11,413	\$ 382	\$ 11,795	\$ 90,498	\$ 8,034	\$ 98,532	\$ 135,824	\$ 7,026	\$ 142,850	\$ 335,094	\$ 56,020	\$ 391,114

CITY OF SOUTH PITTSBURG, TENNESSEE
Schedule of Principal and Interest Requirements
By Fiscal Year
June 30, 2023

Business-Type Activities Long-Term Debt

Year Ending June 30	Rural Development Sewer 92-07			Rural Development Sewer 92-11			Capital Outlay, Series 2022 GAS			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 11,535	\$ 15,105	\$ 26,640	\$ 70,563	\$ 50,625	\$ 121,188	\$ 58,028	\$ 11,269	\$ 69,297	\$ 140,126	\$ 76,999	\$ 217,125
2025	11,961	14,679	26,640	71,987	49,201	121,188	59,045	10,252	69,297	142,993	74,132	217,125
2026	12,401	14,236	26,637	73,440	47,748	121,188	60,081	9,216	69,297	145,922	71,200	217,122
2027	12,858	13,782	26,640	74,922	46,266	121,188	61,135	8,162	69,297	148,915	68,210	217,125
2028	13,332	13,308	26,640	76,435	44,753	121,188	62,207	7,090	69,297	151,974	65,151	217,125
2029	13,824	12,816	26,640	77,978	43,210	121,188	63,298	5,999	69,297	155,100	62,025	217,125
2030	14,333	12,307	26,640	79,551	41,637	121,188	64,408	4,889	69,297	158,292	58,833	217,125
2031	14,862	11,778	26,640	81,157	40,031	121,188	65,538	3,759	69,297	161,557	55,568	217,125
2032	15,409	11,231	26,640	82,795	38,393	121,188	66,688	2,610	69,298	164,892	52,234	217,126
2033	15,977	10,663	26,640	84,466	36,722	121,188	67,857	1,440	69,297	168,300	48,825	217,125
2034	16,566	10,074	26,640	86,171	35,017	121,188	45,346	300	45,646	148,083	45,391	193,474
2035	17,177	9,463	26,640	87,911	33,277	121,188	-	-	-	105,088	42,740	147,828
2036	17,810	8,830	26,640	89,685	31,503	121,188	-	-	-	107,495	40,333	147,828
2037	18,466	8,174	26,640	91,495	29,693	121,188	-	-	-	109,961	37,867	147,828
2038	19,147	7,493	26,640	93,342	27,846	121,188	-	-	-	112,489	35,339	147,828
2039	19,853	6,787	26,640	95,226	25,962	121,188	-	-	-	115,079	32,749	147,828
2040	20,585	6,055	26,640	97,148	24,040	121,188	-	-	-	117,733	30,095	147,828
2041	21,343	5,297	26,640	99,109	22,079	121,188	-	-	-	120,452	27,376	147,828
2042	22,130	4,510	26,640	101,110	20,078	121,188	-	-	-	123,240	24,588	147,828
2043	22,946	3,694	26,640	103,150	18,038	121,188	-	-	-	126,096	21,732	147,828
2044	23,791	2,849	26,640	105,232	15,956	121,188	-	-	-	129,023	18,805	147,828
2045	24,668	1,972	26,640	107,356	13,832	121,188	-	-	-	132,024	15,804	147,828
2046	25,577	1,063	26,640	109,523	11,665	121,188	-	-	-	135,100	12,728	147,828
2047	15,387	187	15,574	111,734	9,454	121,188	-	-	-	127,121	9,641	136,762
2048	-	-	-	113,989	7,199	121,188	-	-	-	113,989	7,199	121,188
2049	-	-	-	116,290	4,898	121,188	-	-	-	116,290	4,898	121,188
2050	-	-	-	118,637	2,551	121,188	-	-	-	118,637	2,551	121,188
2051	-	-	-	63,090	385	63,475	-	-	-	63,090	385	63,475
2052	-	-	-	-	-	-	-	-	-	-	-	-
2053	-	-	-	-	-	-	-	-	-	-	-	-
2054	-	-	-	-	-	-	-	-	-	-	-	-
2055	-	-	-	-	-	-	-	-	-	-	-	-
2056	-	-	-	-	-	-	-	-	-	-	-	-
Total	<u>\$ 421,938</u>	<u>\$ 206,353</u>	<u>\$ 628,291</u>	<u>\$ 2,563,492</u>	<u>\$ 772,059</u>	<u>\$ 3,335,551</u>	<u>\$ 673,631</u>	<u>\$ 64,986</u>	<u>\$ 738,617</u>	<u>\$ 3,659,061</u>	<u>\$ 1,043,398</u>	<u>\$ 4,702,459</u>

CITY OF SOUTH PITTSBURG, TENNESSEE
Schedule of Changes in Long-term Debt by Individual Issue
June 30, 2023

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding Balance as of July 1, 2022	Issued During Period	Matured During Period	Outstanding Balance as of June 30, 2023
Governmental Activities:								
Capital Outlay Notes Payable								
Capital outlay, series 2022	\$ 175,000	2.09%	2022	2027	\$ 166,689	\$ -	\$ (30,865)	\$ 135,824
USDA loan, series 2016	\$ 110,000	2.25%	2016	2056	99,332	-	(1,973)	97,359
Vehicle capital outlay, series 2019	\$ 132,000	4.85%	2019	2024	37,385	-	(25,972)	11,413
USDA GO bond, series 2020	\$ 125,000	2.38%	2020	2030	102,273	-	(11,775)	90,498
Total Notes Payable					\$ 405,679	\$ -	\$ (70,585)	\$ 335,094
Total Governmental Activities					\$ 405,679	\$ -	\$ (70,585)	\$ 335,094
Business-Type Activities:								
Notes Payable								
Capital Outlay Notes Payable								
Capital outlay, series 2022	\$ 750,000	1.74%	2022	2034	731,210	-	(57,579)	673,631
Total Notes Payable					\$ 731,210	\$ -	\$ (57,579)	\$ 673,631
Bonds Payable								
Rural Development, sewer 92-07	\$ 548,000	3.63%	2009	2046	433,063	-	(11,125)	421,938
Rural Development, sewer 92-11	\$ 3,216,000	2.00%	2013	2051	2,632,659	-	(69,167)	2,563,492
Total Bonds Payable					\$ 3,065,722	\$ -	\$ (80,292)	\$ 2,985,430
Total Business-Type Activities					\$ 3,796,932	\$ -	\$ (137,871)	\$ 3,659,061

CITY OF SOUTH PITTSBURG, TENNESSEE
Schedule of Utility Rates
June 30, 2023

Water Rates

Inside City Limits

First 2,000 gallons	\$10.28	minimum bill
Next 15,000 gallons	\$3.20	per 1,000 gallons
Next 30,000 gallons	\$2.86	per 1,000 gallons
All over 47,000 gallons	\$2.54	per 1,000 gallons

Outside City Limits

First 2,000 gallons	\$15.34	minimum bill
Next 15,000 gallons	\$4.81	per 1,000 gallons
Next 30,000 gallons	\$4.31	per 1,000 gallons
All over 47,000 gallons	\$3.82	per 1,000 gallons

Gas Rates

Residential/ Small Commercial

First .300	\$12.39
Next 1.200	\$7.78
Next 1.500	\$7.38
Next 2.00	\$7.18
All over 5.00	\$7.08

Commercial (Class 50)

First 25 MCF	\$7.24
Next 125 MCF	\$7.07
Next 250 MCF	\$6.90
All over 400 MCF	\$6.82

Industrial (Class 60)

First 300 MCF	\$6.91
All over 300 MCF	\$6.82

Number of Customers

Water	2743
Sewer	1295
Natural Gas	2140
Propane Gas	1594

III. INTERNAL CONTROL AND COMPLIANCE SECTION

Waycaster, CPA LLC

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 City Commissioners
City of South Pittsburg, 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, the business-type activities, each major fund and aggregate remaining fund information of the City of South Pittsburg, Tennessee (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 8, 2024.

Our report includes a reference to other auditors who audited the financial statements of City of South Pittsburg's Business-type activities, as described in our report on the City of Pittsburg, Tennessee's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 identify. Given these limitations, during our audit we did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Reponses as item 2023-002, which we consider to be significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of South Pittsburg, 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 determination of financial statement amounts. 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 is described in the accompanying Schedule of Findings and Responses as item 2023-001.

City of South Pittsburg, Tennessee's Response to Findings

The City of South Pittsburg, Tennessee's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The City of South Pittsburg, Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 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.

Waycaster CPA, LLC
Chickamauga, GA
July 8, 2024

CITY OF SOUTH PITTSBURG, 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 significant deficiency in internal controls was disclosed. (2023-002)

Material Noncompliance:

One instance of noncompliance or other matters were disclosed. (2023-001)

SECTION II: FINANCIAL STATEMENT FINDINGS

2023-001: Budgeted Expenditures in Excess of Appropriations (Noncompliance under Government Auditing Standards) (Repeat 2022-001).

Condition: The following departments were over budget at June 30, 2023:

General Fund- General Government (\$9,941)

Sanitation Fund- Public Works (\$3,456)

Criteria: Tennessee Code Annotated, Section 6-56-203(1) states in part:

....all moneys received and expended by a municipality shall be included in a budget ordinance. Therefore, notwithstanding any other law, no municipality may expend any moneys regardless of their source, including moneys derived from bond and long-term note proceeds, federal, state or private grants or loans, or special assessments, except in accordance with a budget ordinance...

Cause: Failure to monitor spending and make amendments to the budget in accordance with the requirements of Tennessee Code Annotated.

Effect: Expenditures made in excess of budgeted amounts could result in a loss of control over financial operations by the governing body.

Recommendation: Expenditures should be held within appropriations approved by the Mayor and City Council. The Mayor and City Council must approve any amendments the original budget ordinance by June 30, 2023.

Management's Response: We concur with this finding. See Management's Corrective Action Plan.

2023-002: Lack of internal controls over safeguarding of assets (Internal Control Deficiency-Significant Deficiency)

Condition: During our audit and the review of segregation of duties it was noted that there are controls in place; however, utilization of the controls is not consistent.

During our audit and the review of transactions related to Princess Theatre and the contracted management company, the following was noted:

- 1.) Monies are not being remitted directly to the City.
- 2.) Monies are not being deposited within three days.
- 3.) Cash is being collected in violation of the contract.
- 4.) Receipts are not pre-numbered.
- 5.) Invoices are not being paid by the City first and are being reimbursed outside of the scope of the purchasing policy and budget of the City.

During our audit and the review of transactions related to the Little League and the City, the following was noted:

- 1.) Receipts are not pre-numbered.
- 2.) Valid cash count procedures are not in place.
- 3.) Valid purchase order procedures are not in place.

Criteria: The Comptroller of the Treasury’s Internal Control and Compliance Manual for Governmental Units and Other Organizations (Manual) defines control activities as “..the actions management establishes through internal control policies and procedures to achieve objectives and manage risks”

Cause: The City must utilize the controls in place at all times.

Effect: A diminished control environment which inherently increases the risk that the City’s funds could be used inappropriately or misappropriated.

Recommendation: Management of the City should utilize the controls in place at all times ensure and monitor compliance in all departments as well.

Management’s Response: We concur with this finding. See Management’s Corrective Action Plan.

CITY OF SOUTH PITTSBURG, TENNESSEE
Summary Schedule of Prior Year Findings
June 30, 2023

Prior- year Financial Statement Findings

<u>Prior Year Finding Number</u>	<u>Finding Title</u>	<u>Status and Current Year Finding Number</u>
2022-001	Excess of Expenditures Over Appropriations (Original Finding #2020-001)	Repeat 2023-001
2022-002	Cash Overdrawn	Corrected
2022-003	Utility Accounting Records Were no Close Sixty Day of Fiscal Year End	Corrected
2022-004	Utility Subsidiary Ledgers Were Not Reconciled in a Timely Fashion	Corrected
2022-005	Utility Department Interim Financial Statements Were Not Provided to the Governing Body	Corrected

The City of South Pittsburg, Tennessee

204 W. 3rd Street • South Pittsburg, Tennessee 37380

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Mayor
Samantha Rector

Commissioners
Allison Buchanan
Cheryl Kellermann
Cameron Moss
Matt Stone



Administrator
Gene Vess

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MANAGEMENT'S CORRECTIVE ACTION PLAN

The City of South Pittsburg, Tennessee respectfully submits the following corrective action plan for the year ending June 30th, 2023.

Audit Period: June 30th, 2023

The findings from the June 30th, 2023, schedule of findings and responses are discussed below. The finding is numbered consistently with the number assigned in the schedule.

2023-001: Budgeted Expenditures in Excess of Appropriations

Recommendation: Expenditures made in excess of budgeted amounts could result in a loss of control over financial operations by the governing body.

Person Responsible for Implementing the Corrective Action: Gene Vess, City Administrator

Anticipated Completion Date of Corrective Action: June 30, 2023

Planned Corrective Action:

City Administrator will work closely with City Recorder to ensure the City is following its internal control measure for all funds being overseen by the City to include, General, Sanitation and Drug funds for compliance.

2023-002 Lack of internal controls over safeguarding assets (Internal Control Deficiency – Significant Deficiency)

Recommendation: Management of the City should utilize the controls in place at all times to ensure and monitor compliance in all departments as well.

Person Responsible for Corrective Action: Gene Vess, City Administrator

Anticipated Completion date of Corrective Action: June 30th, 2023

Planned Corrective Action: Management Company that was contracted thru the City is no longer employed with the City of South Pittsburg. Also, the City of South Pittsburg no longer handles the Little League accounts.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Gene Vess". The signature is written in a cursive style with a large initial "G".

Gene Vess, City Administrator
City of South Pittsburg