

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

CITY OF SPARTA, TENNESSEE

**For the Year Ended
June 30, 2023**

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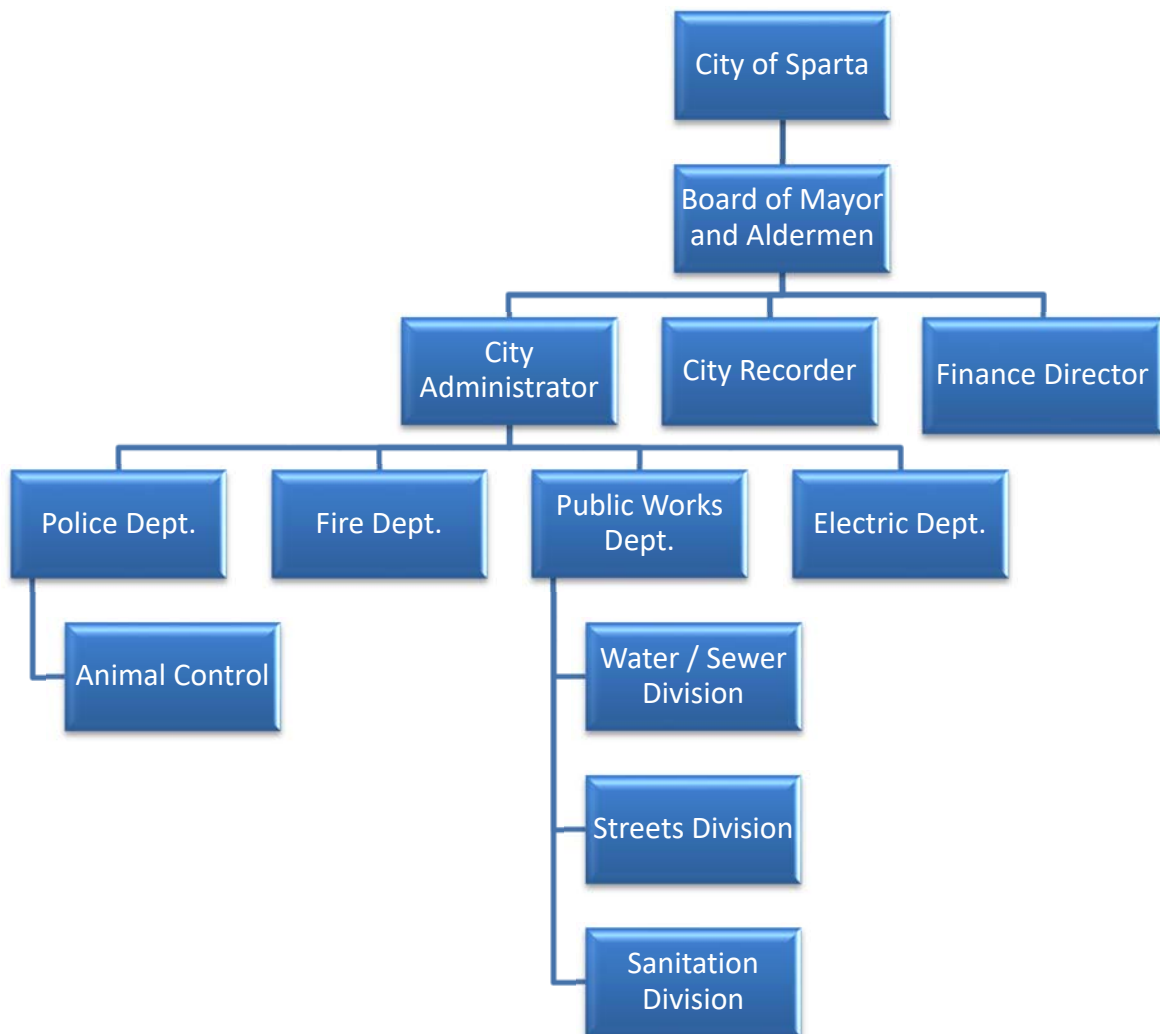
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INTRODUCTORY SECTION (UNAUDITED)

**CITY OF SPARTA, TENNESSEE
PRINCIPAL OFFICIALS
June 30, 2023**

Mayor	Jerry Lowery
Vice-Mayor	Robert Officer
Board of Aldermen	Jim Floyd Judy Payne Brian Jones Travis McBride Brent Young
City Administrator, City Recorder and CMFO	Tonya R. Tindle
Finance Director	Tonia Wilson
City Attorney	Caroline Sapp
Public Works Director	Dillard Quick
Utilities Manager	Belva Bess

CITY OF SPARTA ORGANIZATION CHART



FINANCIAL SECTION

ALBERT R. DICUS

Certified Public Accountant

Member: AICPA; TSCPA

131 S. Main Street

P.O. Box 176

Sparta, Tennessee 38583

931.836.2205 Phone

931.836.3529 Fax

buddy@buddydicuscpa.com Email

INDEPENDENT AUDITOR'S REPORT

Board of Mayor and Aldermen
City of Sparta
Sparta, Tennessee

Report on the Financial Statements

Opinions

I have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the respective budgetary comparison for the General fund and each major fund of the City of Sparta, Tennessee, 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 as listed in the table of contents.

In my 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, and each major fund, the aggregate remaining fund information, and the respective budgetary comparison for the General fund and each major fund of the City of Sparta, Tennessee of the as of June 30, 2023, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I have conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City of Sparta and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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 Sparta's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, I

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud and 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 Sparta's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Sparta's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of changes in the City of Sparta's net pension liability (asset) and related ratios and contributions based on participation in the public employee pension plan of TCRS on pages 12 through 20 and pages 64 through 66, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit for the year ended June 30, 2023, was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Sparta's basic financial statements. The accompanying information listed as supplementary information in the table of contents for the year ended June 30, 2023, 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 for the year ended June 30, 2023 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the accompanying information listed as supplementary information in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2023.

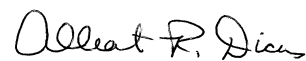
Other Information

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

In connection with my audit of the basic financial statements, my 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, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated August 26, 2024, on my consideration of the City of Sparta's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report solely is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Sparta'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 Sparta's internal control over financial reporting and compliance.



Certified Public Accountant

Sparta, Tennessee
August 26, 2024



CITY OF SPARTA
6 Liberty Square
P.O. Box 30
Sparta, Tennessee 38583
931.836.3248
931.836.3941 fax
www.spartatn.com

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Sparta, Tennessee we offer readers of the City of Sparta, Tennessee's financial statements this narrative overview and analysis of the financial activities of the City of Sparta 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.

FINANCIAL HIGHLIGHTS

Management believes the City of Sparta's financial condition is adequate and improving. The City follows the financial policies and guidelines set by the Board and management. The following are key financial highlights.

The assets and deferred outflows of the City of Sparta exceeded liabilities and deferred inflows at the close of the most recent fiscal year by \$62,664,169. Of this amount, \$26,489,260 (unrestricted net position) may be used to meet the government's ongoing obligation to citizens and creditors.

At June 30, 2023 the City's governmental funds reported combined ending fund balances of \$12,619,422, an increase of \$1,113,618 in comparison with the prior year. \$11,505,713 is available for spending at the government's discretion (unassigned fund balance).

At June 30, 2023 unassigned fund balance for the General Fund was \$11,505,713 or 171.48% of total general fund expenditures and transfers to other funds.

The City's total debt decreased by a net \$215,051 during the year ended June 30, 2023. Of this amount, general long-term debt decreased by net \$5,200; water and sewer long-term debt decreased by \$209,851.

The City's total net position increased by \$4,645,449 during the year ended June 30, 2023.

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 "Required Supplementary Information" and other supplementary information in addition to the basic financial statements themselves.



Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the 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 government’s net assets 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, parks and recreation, airport, economic development and sanitation services. The business-type activities of the City include the operations of the electric, water and sewer facilities.

The government-wide financial statements can be found on pages 22-23 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The 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 nine individual governmental funds. Eight of these governmental funds are classified as nonmajor and are summarized under the heading “Other Governmental Funds” in the governmental fund presentation. 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, as well as nonmajor governmental funds, all of which are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 24-28 of this report.

Proprietary funds. The City maintains two types of proprietary 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 Electric, Water and Sewer activities.

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 Electric, Water and Sewer activities of the City, which are considered to be major funds.

The basic proprietary fund financial statements can be found on pages 29-32 of this report.

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. The notes to the financial statements can be found on pages 35-62 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain “required supplementary information” concerning the City’s general fund budget and the City’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 33-34 and 64-66 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City of Sparta, assets exceeded liabilities by \$62,664,169 at the close of the most recent fiscal year.

By far the largest portion of the City’s net position (56.35%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to 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 needed to pay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At year end 1.38% of the City’s net position represented resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$26,489,260) may be used to meet the government’s ongoing obligations to citizens and creditors.

At June 30, 2023, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The City’s overall financial position improved during fiscal year 2023.

The national economic upturn increased revenues, particularly sales taxes funding basic services. The City’s government activities rely heavily on sales tax. Revenue met the budget projections for 2022 and 2023. And operating expenses have decreased slightly in the general fund, but expenses increased in total overall governmental funds.

Business-type activities realized continuing benefits from cost of service and rate design “phase-in” programs.

Summary of Net Position

	Governmental		Business-type		Totals		Total
	Activities		Activities				Change
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	Increase
Current and other assets	\$ 15,540,776	\$ 14,716,584	\$ 14,919,309	\$ 14,656,939	\$ 30,460,084	\$ 29,373,523	\$ 1,086,561
Capital assets	11,891,924	10,368,881	27,876,789	27,556,730	39,768,713	37,925,611	1,843,102
Total assets	\$ 27,432,699	\$ 25,085,465	\$ 42,796,098	\$ 42,213,668	\$ 70,228,797	\$ 67,299,133	\$ 2,929,663
Deferred outflows of resources-	\$ 1,099,646	\$ 1,313,479	\$ 903,003	\$ 1,068,141	\$ 2,002,649	\$ 2,381,620	\$ (378,971)
Long-term liabilities	\$ 17,788	\$ 23,236	\$ 4,211,756	\$ 4,427,882	\$ 4,229,544	\$ 4,451,118	\$ (221,574)
Other liabilities	1,593,598	1,063,676	2,002,536	2,121,091	3,596,133	3,184,768	411,366
Total liabilities	\$ 1,611,386	\$ 1,086,912	\$ 6,214,292	\$ 6,548,973	\$ 7,825,677	\$ 7,635,885	\$ 189,792
Deferred inflows of resources	\$ 1,531,294	\$ 2,766,584	\$ 210,305	\$ 1,259,564	\$ 1,741,599	\$ 4,026,148	\$ (2,284,549)
Net position							
Net investment in capital assets	\$ 11,868,673	\$ 10,340,430	\$ 23,444,132	\$ 22,907,944	\$ 35,312,805	\$ 33,248,375	\$ 2,064,430
Restricted	467,079	1,312,718	395,026	1,096,253	862,105	2,408,971	(1,546,866)
Unrestricted	13,053,914	10,892,300	13,435,346	11,469,075	26,489,260	22,361,375	4,127,885
Total net position	\$ 25,389,666	\$ 22,545,448	\$ 37,274,504	\$ 35,473,272	\$ 62,664,169	\$ 58,018,720	\$ 4,645,449

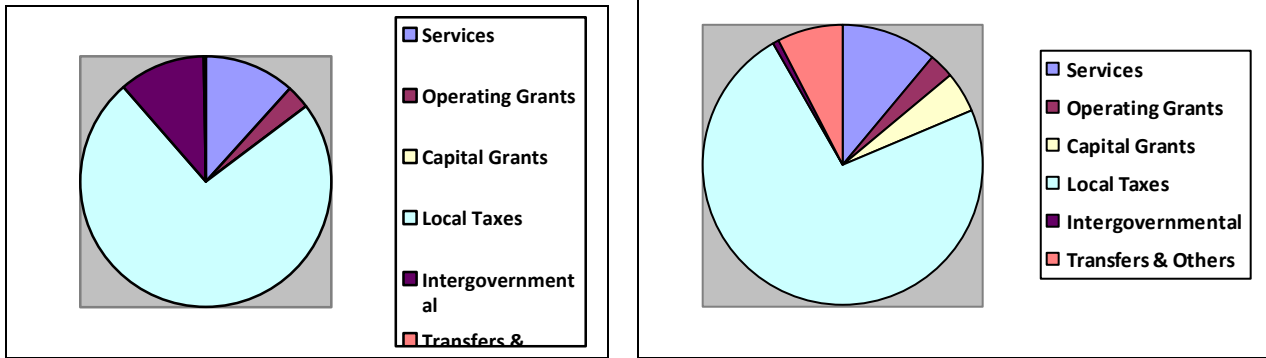
Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the City's changes in net assets for the year ended June 30, 2023

City of Sparta, Tennessee's Changes in Net Position

	<u>Governmental</u>		<u>Business-type</u>		<u>Totals</u>		<u>Total</u>
	<u>activities</u>	<u>activities</u>	<u>activities</u>	<u>activities</u>	<u>Totals</u>	<u>Totals</u>	<u>Change</u>
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>Change</u>
Revenues:							
Program Revenues:							
Charges for Services	\$ 842,858	\$ 811,635	\$ 18,240,154	\$ 17,387,762	\$ 19,083,012	\$ 18,199,397	\$ 883,614
Operating grants and contributions	235,747	216,189	-	-	235,747	216,189	19,558
General Revenues:							
Local taxes	5,384,349	5,153,903	-	-	5,384,349	5,153,903	230,446
Intergovernmental	809,577	776,347	-	-	809,577	776,347	33,230
Interest on investments	364,440	19,808	307,551	15,167	671,991	34,975	637,017
Gain (Loss) on sale of capital assets	305,975	-	(19,251)	-	286,723	-	286,723
Other	64,256	7,993	952	1,772	65,208	9,765	55,443
Total revenues	\$ 8,007,203	\$ 6,985,875	\$ 18,529,406	\$ 17,404,702	\$ 26,536,608	\$ 24,390,576	\$ 2,146,032
Expenses:							
General government	\$ 1,403,912	\$ 924,468	\$ -	\$ -	\$ 1,403,912	\$ 924,468	\$ 479,444
Public Safety	2,432,847	1,678,896	-	-	2,432,847	1,678,896	753,950
Highway and Streets	719,455	929,228	-	-	719,455	929,228	(209,773)
Airport	35,000	28,000	-	-	35,000	28,000	7,000
Parks and recreation	336,214	316,051	-	-	336,214	316,051	20,162
Interest on long-term debt	1,374	11,452	-	-	1,374	11,452	(10,079)
Economic Development	14,151	8,445	-	-	14,151	8,445	5,706
Sanitation	688,673	573,026	-	-	688,673	573,026	115,647
Electric	-	-	12,400,059	11,466,086	12,400,059	11,466,086	933,973
Water and sewer	-	-	4,246,579	3,504,296	4,246,579	3,504,296	742,282
Total expenses	5,631,625	4,469,567	16,646,638	14,970,382	22,278,263	19,439,950	2,838,313
Increase (Decrease) in net position							
before capital contributions and transfers	\$ 2,375,578	\$ 2,516,307	\$ 1,882,768	\$ 2,434,319	\$ 4,258,345	\$ 4,950,627	\$ (692,281)
Capital Contributions and Transfers:							
Operating Transfers In	83,912	137,716	-	-	83,912	137,716	(53,804)
Capital Contributions	384,728	69,146	2,376	265,929	387,104	335,075	52,029
Operating Transfers Out	-	-	(83,912)	(137,716)	(83,912)	(137,716)	53,804
			-	-			
Increase in Net Position	\$ 2,844,218	\$ 2,723,169	\$ 1,801,231	\$ 2,562,532	\$ 4,645,449	\$ 5,285,701	\$ (640,252)
Net position - July 1	22,545,448	19,822,279	35,473,272	32,910,740	58,018,720	52,733,019	5,285,701
Net position - June 30	\$ 25,389,666	\$ 22,545,448	\$ 37,274,503	\$ 35,473,272	\$ 62,664,169	\$ 58,018,720	\$ 4,645,449

2022 Governmental Revenues

2023 Governmental Revenues



This graph shows the percentages of revenues collected for the governmental funds for the year ended June 30, 2022 and June 30, 2023. As discussed earlier, the City relies heavily on local taxes, such as sales tax. Capital contributions increased by \$52,029.

Governmental activities. Governmental activities increased the City of Sparta’s net position by \$2,844,218, which accounts for 61.23% of the total growth in the net position of the City of Sparta in FY 2023. Key elements of this increase are as follows:

The increase in expenses and in tax revenue offset the decrease in grant revenues to result in an increase in net position in these funds for the year ended June 30, 2023.

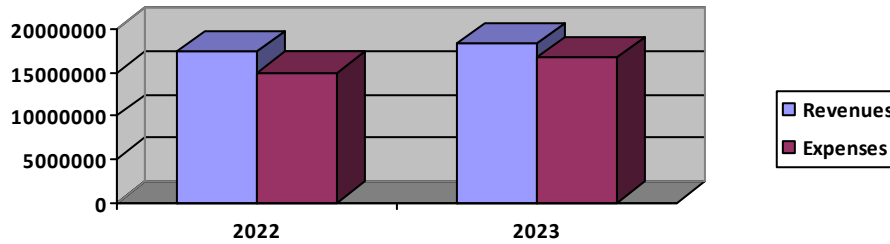
Business-type activities. Business-type activities increased the City’s net position by \$1,801,231 accounting for a 38.77% increase in the total growth in the government’s net position. Key elements of the increase are as follows:

The program revenues for the Electric, Water and Sewer activities were \$1,593,516 more than the expenses of those services for the fiscal year ended June 30, 2023.

Financial Analysis of the Government’s Funds:

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

Business-type activities Revenues verses Expenses



Business-type activities are shown comparing cost to revenues generated by related services. Electric, water and sewer utilities are intended to be self-supporting with user charges and other revenues designed to recover costs. Sewer charges did not fully recover depreciation associated with the significant investment in capital assets for either year. Expenses increased in 2023 by \$1,676,256, while revenues increased by \$852,392.

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

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$12,619,422 an increase of \$1,113,618 in comparison with the prior year. \$11,505,713 of this amount constitutes unassigned fund balance, which is available for spending at the government’s discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$11,505,713. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures, including transfers to other funds. Unassigned fund balance represents 171.48% of total general fund expenditures and transfers, while total fund balance represents 172.07%.

The fund balance of the City’s general fund increased by \$1,022,151 as a result of the current fiscal year operations.

Proprietary funds. The City’s proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Electric, Water and Sewer funds at the end of the year amounted to \$13,435,346. The total increase in net position for the Electric and Water and Sewer funds were \$1,801,232. Other factors concerning the finances have been addressed in the discussion of the City’s business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget for expenses can be briefly summarized as follows:

	<u>Budget:</u>	<u>Increase to/ Decrease:</u>
General Fund 110	\$7,609,112	\$10,514,397
Street Aid Fund 121	177,500	190,000
Industrial Development Fund 123	90,000	90,000
Solid Waste Fund 125	491,354	950,000
Drug Fund 126	24,000	60,000
Liberty Square Fund 127	35,000	40,000
Debt Service Fund 212	338,022	338,022
Capital Projects Fund 311	1,000,000	2,500,000
Capital Projects Fund – ARPA 313	0	500,000
Water/Sewer Fund 413	5,081,631	5,500,000

Capital Asset and Debt Administration

At the end of fiscal year 2023, the City had \$39,615,257 (net of accumulated depreciation) invested in a broad range of capital assets. This investment includes land and land improvements, buildings, utility system, equipment and infrastructure.

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

- Purchase of additional various equipment and vehicles
- Paving several miles of streets and sidewalks
- Substation Modifications
- Traffic Lights Upgraded
- YMCA Ball goals and Generator installed
- New roof and HVAC at Civic Center

Additional information on the City’s capital assets can be found in Note E on page 47 of this report.

The following tables summarize the City’s capital assets for the year ended June 30, 2023. These changes are presented in detail in Note E to the financial statements.

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Buildings	\$ 3,703,765	\$ 3,565,738	\$ -	\$ -	\$ 3,703,765	\$ 3,565,738
Construction in Progress	-	39,227	11,025	285,132	11,025	324,360
Land	813,655	731,769	265,412	265,412	1,079,067	997,181
Improvements, other than building	4,897,490	4,863,487	5,637,650	5,637,650	10,535,140	10,501,137
Infrastructure	5,836,908	4,783,793	-	-	5,836,908	4,783,793
Utility System			42,548,211	40,967,318	42,548,211	40,967,318
Equipment	6,394,575	5,610,736	3,990,812	4,051,154	10,385,387	9,661,890
Less: Accumulated Depreciation	<u>(9,754,469)</u>	<u>(9,225,869)</u>	<u>(24,729,778)</u>	<u>(23,649,938)</u>	<u>(34,484,247)</u>	<u>(32,875,806)</u>
Total	<u>\$ 11,891,924</u>	<u>\$ 10,368,881</u>	<u>\$ 27,723,333</u>	<u>\$ 27,556,730</u>	<u>\$ 39,615,257</u>	<u>\$ 37,925,611</u>

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$4,424,761. All debt is backed by the full faith and credit of the government.

	Governmental Activities		Business-type Activities		Total		Total Change
	2023	2022	2023	2022	2023	2022	
General obligation bonds	\$ 23,251	\$ 28,451	\$ -	\$ -	\$ 23,251	\$ 28,451	\$ (5,200)
Revenue bonds	-	-	4,401,510	4,611,361	4,401,510	4,611,361	(209,851)
Total	<u>\$ 23,251</u>	<u>\$ 28,451</u>	<u>\$ 4,401,510</u>	<u>\$ 4,611,361</u>	<u>\$ 4,424,761</u>	<u>\$ 4,639,812</u>	<u>\$ (215,051)</u>

The City’s total bonded debt decreased a net of \$215,051 during the current fiscal year. Of this amount, general obligation debt decreased by a net of \$5,200, while water and sewer bonded debt decreased by \$209,851.

Additional information on the City’s long-term debt can be found in Note F, beginning on page 49.

Economic Factors and Next Year’s Budget and Rates

Factors considered in preparing the City’s budget for the 2023 fiscal year include the following:

- The 2023 unemployment rate for Sparta and White County at June 30, 2023 was 4.00 %, compared to the State’s rate of 3.2% and the national average unemployment rate of 3.7 %.
- Sales tax revenues has consistently increased over the last year making revenue budget projections easier to rely on with the ever constant and growing expenses.
- Budgeting with a slight increase in taxes to be able to meet the demand of services provided by the City to the taxpayers will be a challenge.
- ARPA monies have allowed the City to do some needed upgrades in various ways this budget year.

At June 30, 2023 the unassigned fund balance in the general fund was \$11,505,713. The property tax rate was \$.9183 per \$100 of assessed value of property. Electric rates fluctuate monthly due to a monthly fuel cost adjustment from TVA.

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 Office of the City Administrator, City of Sparta, Post Office Box 30, Sparta, Tennessee 38583.

BASIC FINANCIAL STATEMENTS

CITY OF SPARTA, TENNESSEE
GOVERNMENT WIDE STATEMENT OF NET POSITION
June 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents - Note C	\$ 13,063,441.30	\$ 12,345,931.19	\$ 25,409,372.49
Property taxes receivable, less allowance for doubtful taxes (\$9,257.88) - Note B	1,330,461.12	-	1,330,461.12
Accounts receivable - net	-	1,130,028.78	1,130,028.78
Unbilled revenue	-	486,303.75	486,303.75
Other receivables	74,299.30	127,927.40	202,226.70
Due from other governments	779,646.32	2,375.75	782,022.07
Internal balances	66,123.15	(66,123.15)	-
Inventories	-	638,247.42	638,247.42
Prepaid expenses and other current assets	38,814.34	115,091.06	153,905.40
Net pension asset	187,990.00	139,526.33	327,516.33
Capital assets - Note E:			
Land and construction in progress	813,654.56	276,437.51	1,090,092.07
Buildings and equipment, net of depreciation	11,078,269.18	27,600,351.60	38,678,620.78
TOTAL ASSETS	\$ 27,432,699.27	\$ 42,796,097.64	\$ 70,228,796.91
DEFERRED OUTFLOWS OF RESOURCES -			
Deferred outflows related to pensions	1,099,646.00	903,002.70	2,002,648.70
LIABILITIES			
Accounts payable	\$ 137,982.82	\$ 608,300.26	\$ 746,283.08
Accounts payable - construction	-	117,236.00	117,236.00
Customer deposits	-	802,275.00	802,275.00
Accrued expenses	-	264,089.40	264,089.40
Unearned revenue	1,270,696.45	-	1,270,696.45
Long-term liabilities - Note F			
Due within one year	184,918.61	210,634.86	395,553.47
Due in more than one year	17,787.74	4,211,756.23	4,229,543.97
TOTAL LIABILITIES	1,611,385.62	6,214,291.75	7,825,677.37
DEFERRED INFLOWS OF RESOURCES:			
Deferred revenue - current property taxes	\$ 1,276,431.77	\$ -	\$ 1,276,431.77
Deferred inflows related to pensions	254,862.00	210,305.00	465,167.00
TOTAL DEFERRED INFLOWS OF RESOURCES	1,531,293.77	210,305.00	1,741,598.77
NET POSITION			
Net investment in capital assets	\$ 11,868,673.17	\$ 23,444,131.91	\$ 35,312,805.08
Restricted for:			
Drug fund	110,241.86	-	110,241.86
Highways and streets	168,846.91	-	168,846.91
Debt service	-	255,499.44	255,499.44
Pensions	187,990.00	139,526.33	327,516.33
Unrestricted	13,053,913.94	13,435,345.91	26,489,259.85
TOTAL NET POSITION	\$ 25,389,665.88	\$ 37,274,503.59	\$ 62,664,169.47

See the notes to financial statements.

CITY OF SPARTA, TENNESSEE
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 1,403,912.10	\$ 83,150.42	\$ 6,210.00	\$ -	\$ (1,314,551.68)	\$ -	\$ (1,314,551.68)
Public safety	2,432,846.61	104,667.08	15,420.00	-	(2,312,759.53)	-	(2,312,759.53)
Highways, streets and public works	719,455.16	-	182,784.13	384,728.21	(151,942.82)	-	(151,942.82)
Sanitation	688,673.02	622,955.01	-	-	(65,718.01)	-	(65,718.01)
Leisure and culture	336,213.71	32,085.67	31,333.34	-	(272,794.70)	-	(272,794.70)
Airport	35,000.00	-	-	-	(35,000.00)	-	(35,000.00)
Economic development	14,150.90	-	-	-	(14,150.90)	-	(14,150.90)
Interest and fees on long-term debt	1,373.63	-	-	-	(1,373.63)	-	(1,373.63)
Total governmental activities	\$ 5,631,625.13	\$ 842,858.18	\$ 235,747.47	\$ 384,728.21	\$ (4,168,291.27)	\$ -	\$ (4,168,291.27)
Business-type activities							
Water and sewer	\$ 4,246,578.65	\$ 4,484,399.16	\$ -	\$ 2,375.75	\$ -	\$ 240,196.26	\$ 240,196.26
Electric	12,400,059.15	13,755,754.56	-	-	-	1,355,695.41	1,355,695.41
Total business-type activities	\$ 16,646,637.80	\$ 18,240,153.72	\$ -	\$ 2,375.75	\$ -	\$ 1,595,891.67	\$ 1,595,891.67
Total primary government	\$ 22,278,262.93	\$ 19,083,011.90	\$ 235,747.47	\$ 387,103.96			
General revenues:							
Taxes:							
Property taxes, penalty and interest					\$ 1,220,798.45	\$ -	\$ 1,220,798.45
Payments in lieu of taxes					128,569.74	-	128,569.74
Local option sales tax					3,471,483.56	-	3,471,483.56
Wholesale beer & liquor tax					402,053.54	-	402,053.54
State sales tax					594,624.66	-	594,624.66
State income tax					(2,881.15)	-	(2,881.15)
State beer and alcoholic beverage tax					16,306.13	-	16,306.13
State telecom tax					12,636.22	-	12,636.22
State corporate excise tax					90,415.30	-	90,415.30
Business taxes, penalty and interest					259,919.45	-	259,919.45
Miscellaneous					64,256.00	952.06	65,208.06
Gain (Loss) on sale of capital assets					305,974.91	(19,251.48)	286,723.43
Unrestricted interest earnings					364,440.24	307,551.22	671,991.46
Transfers					83,912.04	(83,912.04)	-
Total general revenues					\$ 7,012,509.09	\$ 205,339.76	\$ 7,217,848.85
Change in net position					\$ 2,844,217.82	\$ 1,801,231.43	\$ 4,645,449.25
Net position - beginning					22,545,448.06	35,473,272.16	58,018,720.22
Net position - ending					\$ 25,389,665.88	\$ 37,274,503.59	\$ 62,664,169.47

See the notes to financial statements.

CITY OF SPARTA, TENNESSEE
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2023

	GOVERNMENTAL FUND TYPES			Total Government Funds
	General	Debt Service	Nonmajor Funds	
<u>ASSETS</u>				
Cash and cash equivalents - Note A	\$ 11,765,197.43	\$ 119,214.49	\$ 1,179,029.38	\$ 13,063,441.30
Property taxes receivable, less allowance for doubtful taxes (\$9,257.88) - Note B	1,330,461.12	-	-	1,330,461.12
Other receivables	74,299.30	-	-	74,299.30
Due from other governments	749,959.46	-	29,686.86	779,646.32
Due from other funds	312,300.39	-	48,763.00	361,063.39
Other assets	38,814.34	-	-	38,814.34
Total assets	\$ 14,271,032.04	\$ 119,214.49	\$ 1,257,479.24	\$ 15,647,725.77
<u>LIABILITIES</u>				
Accounts payable	\$ 130,624.16	\$ -	\$ 7,358.66	\$ 137,982.82
Unearned revenue - other revenue	1,270,746.21	-	-	1,270,746.21
Due to other funds	-	-	294,940.24	294,940.24
Total liabilities	\$ 1,401,370.37	\$ -	\$ 302,298.90	\$ 1,703,669.27
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue - property taxes	\$ 1,324,634.77	\$ -	\$ -	\$ 1,324,634.77
<u>FUND BALANCES</u>				
Nonspendable fund balance:	\$ 38,814.34	\$ -	\$ -	\$ 38,814.34
Restricted fund balances:				
Drug fund	-	-	110,241.86	110,241.86
Highways and streets	-	-	168,846.91	168,846.91
Committed fund balances:				
Industrial development fund	-	-	537,224.39	537,224.39
Solid waste fund	-	-	64,377.81	64,377.81
Assigned fund balances:				
General fund	500.00	-	-	500.00
Equipment fund	-	-	36,696.49	36,696.49
Liberty square fund	-	-	37,792.88	37,792.88
Debt service fund	-	119,214.49	-	119,214.49
Unassigned fund balance:	11,505,712.56	-	-	11,505,712.56
Total fund balances	\$ 11,545,026.90	\$ 119,214.49	\$ 955,180.34	\$ 12,619,421.73
	\$ 14,271,032.04	\$ 119,214.49	\$ 1,257,479.24	\$ 15,647,725.77

See the notes to financial statements.

CITY OF SPARTA, TENNESSEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2023

Total fund balances for governmental funds \$ 12,619,421.73

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds 11,891,923.74

Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds:

Property taxes	\$	48,203.00	
State income taxes		49.76	48,252.76

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances at June 30, 2023 are as follows:

Bonds and notes payable	\$	(23,250.57)	
Compensated absences		(179,455.78)	(202,706.35)

Pension assets, including deferred inflows and outflows, are not due and payable in the current period and, therefore, are not reported in the funds.

1,032,774.00

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 25,389,665.88

CITY OF SPARTA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year ended June 30, 2023

	General	Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Revenues:					
Taxes and tax equivalents	\$ 5,457,739.59	\$ -	\$ -	\$ -	\$ 5,457,739.59
Licenses and permits	30,750.83	-	-	-	30,750.83
Intergovernmental	1,247,280.93	-	-	173,627.76	1,420,908.69
Fines and costs	41,973.13	-	-	5,834.12	47,807.25
Charges for services	69,594.03	-	-	622,436.01	692,030.04
Rent	11,350.00	-	-	-	11,350.00
Interest	332,698.15	4,287.50	-	27,454.59	364,440.24
Contributions	6,210.00	-	-	14,825.00	21,035.00
Other	46,322.51	-	-	17,933.49	64,256.00
TOTAL REVENUES	\$ 7,243,919.17	\$ 4,287.50	\$ -	\$ 862,110.97	\$ 8,110,317.64
Expenditures:					
Board of Aldermen	\$ 10,192.02	\$ -	\$ -	\$ -	\$ 10,192.02
City Court	44,003.05	-	-	-	44,003.05
Mayor	16,225.49	-	-	-	16,225.49
Boards and commissions	1,120.00	-	-	-	1,120.00
City Administrator	47,559.20	-	-	-	47,559.20
General election	747.00	-	-	-	747.00
Financial Administration	23,902.67	-	-	-	23,902.67
City Recorder	96,479.21	-	-	-	96,479.21
City Attorney	11,179.40	-	-	-	11,179.40
GIS System	7,447.77	-	-	-	7,447.77
City Hall buildings	59,222.87	-	-	-	59,222.87
Industrial park	564.75	-	-	-	564.75
Public works	45,101.08	-	24,870.91	-	69,971.99
Planning	15,561.44	-	-	-	15,561.44
General government	244,709.60	-	-	-	244,709.60
Traffic control	284,487.12	-	-	-	284,487.12
Police	1,393,860.35	-	-	30,043.32	1,423,903.67
Contribution to E-911	88,954.00	-	-	-	88,954.00
Fire Department	596,608.53	-	-	-	596,608.53
Protective inspection	85,746.01	-	-	-	85,746.01
Storm sirens	5,375.00	-	-	-	5,375.00
Rescue squad	3,800.00	-	-	-	3,800.00
Highways and streets	746,741.75	-	1,053,114.91	161,480.73	1,961,337.39
Sanitation	-	-	-	815,598.00	815,598.00
Animal control	92,961.87	-	9,818.00	-	102,779.87
Direct assistance	504,870.60	-	-	-	504,870.60
Civic Center	32,906.78	-	76,167.00	-	109,073.78
Oldham Theater	10,790.11	-	-	-	10,790.11
Little League Ballparks	9,215.23	-	-	-	9,215.23
Swimming Pool - YMCA	44,401.63	-	33,079.00	-	77,480.63
Liberty Square Celebrations	-	-	-	33,864.20	33,864.20
Sock hop	2,378.67	-	-	-	2,378.67
Amphitheater concerts	16,864.03	-	-	-	16,864.03
Economic development and assistance	1,729.00	-	-	10,000.00	11,729.00
Municipal Airport	35,000.00	-	-	-	35,000.00
Parks	214,659.52	-	-	-	214,659.52

**CITY OF SPARTA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS (CONT'D)
Year ended June 30, 2023**

	General	Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Insurance	336,975.62	-	-	-	336,975.62
Senior Citizens	31,154.82	-	-	-	31,154.82
Old Baker School	1,397.06	-	-	-	1,397.06
Historical Board	3,474.00	-	-	-	3,474.00
Weed & mosquito control	24.71	-	-	-	24.71
Sidewalk Projects	-	-	7,609.50	-	7,609.50
Debt service:					
Principal payments	5,200.37	-	-	-	5,200.37
Interest	1,373.63	-	-	-	1,373.63
TOTAL EXPENDITURES	\$ 5,174,965.96	\$ -	\$ 1,204,659.32	\$ 1,050,986.25	\$ 7,430,611.53
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 2,068,953.21	\$ 4,287.50	\$ (1,204,659.32)	\$ (188,875.28)	\$ 679,706.11
Other financing sources (uses):					
Sale of land	350,000.00	-	-	-	350,000.00
Operating transfers in	137,715.60	-	1,258,462.88	276,055.42	1,672,233.90
Operating transfers (out)	(1,534,518.30)	-	(53,803.56)	-	(1,588,321.86)
CHANGE IN FUND BALANCE	\$ 1,022,150.51	\$ 4,287.50	\$ 0.00	\$ 87,180.14	\$ 1,113,618.15
Fund balance at July 1, 2022	10,522,876.39	114,926.99	-	868,000.20	11,505,803.58
FUND BALANCE AT JUNE 30, 2023	\$ 11,545,026.90	\$ 119,214.49	\$ 0.00	\$ 955,180.34	\$ 12,619,421.73

See the notes to financial statements.

CITY OF SPARTA, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2023

Net change in fund balance - total governmental funds	\$ 1,113,618.15
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$2,113,931.21) exceeded depreciation expense (\$546,863.68) for the current period.	1,567,067.53
The book value of capital assets that were sold is a reduction of revenue in the statement of activities, but has no impact on the governmental funds.	(44,025.09)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(24,361.64)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	5,200.37
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.	1,496.76
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	225,221.74
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 2,844,217.82</u></u>

CITY OF SPARTA, TENNESSEE
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
For the year ended June 30, 2023

	<u>Sparta Electric System</u>	<u>Sparta Water and Sewer System</u>	<u>Totals</u>
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 7,345,276.95	\$ 5,000,654.24	\$ 12,345,931.19
Accounts receivable, net of allowance (\$6,567.10)	1,130,028.78	-	1,130,028.78
Unbilled revenue	280,642.38	205,661.37	486,303.75
Other receivables	107,558.60	-	107,558.60
Grants receivable	-	2,375.75	2,375.75
Net pension asset	78,670.37	60,855.96	139,526.33
Inventories	373,348.24	264,899.18	638,247.42
Due from other funds	-	702,594.80	702,594.80
Prepaid expenses and other current assets	49,902.37	65,188.69	115,091.06
TOTAL CURRENT ASSETS	\$ 9,365,427.69	\$ 6,302,229.99	\$ 15,667,657.68
NONCURRENT ASSETS:			
Capital assets net of accumulated depreciation - Note E	6,651,096.22	20,949,255.38	27,600,351.60
Land and construction in progress	41,727.90	234,709.61	276,437.51
Other receivables	20,368.80	-	20,368.80
TOTAL ASSETS	\$ 16,078,620.61	\$ 27,486,194.98	\$ 43,564,815.59
DEFERRED OUTFLOWS OF RESOURCES - Pension plan	404,592.70	498,410.00	903,002.70
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 16,483,213.31	\$ 27,984,604.98	\$ 44,467,818.29
<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Accounts payable - Trade	\$ 486,349.01	\$ 121,951.25	\$ 608,300.26
Accounts payable - Construction	105,803.50	11,432.50	117,236.00
Due to water and sewer	702,594.80	-	702,594.80
Due to other funds	58,999.71	7,123.44	66,123.15
Customer deposits	603,795.00	198,480.00	802,275.00
Tennessee sales tax payable	27,279.00	12,303.00	39,582.00
Accrued salaries and wages	18,021.02	19,807.03	37,828.05
Accrued vacation	77,424.54	73,742.09	151,166.63
Accrued interest payable	-	27,638.53	27,638.53
Other current liabilities	4,587.19	3,287.00	7,874.19
Current portion of long-term debt	-	210,634.86	210,634.86
TOTAL CURRENT LIABILITIES	\$ 2,084,853.77	\$ 686,399.70	\$ 2,771,253.47
NONCURRENT LIABILITIES - Note F			
Bonds and notes payable - net of current portion	-	4,210,589.84	4,210,589.84
Advances from TVA for home weatherization loans	1,166.39	-	1,166.39
TOTAL LIABILITIES	\$ 2,086,020.16	\$ 4,896,989.54	\$ 6,983,009.70
DEFERRED INFLOWS OF RESOURCES - Pension plan	94,438.00	115,867.00	210,305.00
<u>NET POSITION</u>			
Net investment in capital assets	\$ 6,692,824.12	\$ 16,751,307.79	\$ 23,444,131.91
Restricted for construction and debt service	-	255,499.44	255,499.44
Restricted for pensions	78,670.37	60,855.96	139,526.33
Unrestricted	7,531,260.66	5,904,085.25	13,435,345.91
TOTAL NET POSITION	14,302,755.15	22,971,748.44	37,274,503.59
TOTAL LIABILITIES, NET POSITION, AND DEFERRED INFLOWS OF RESOURCES	\$ 16,483,213.31	\$ 27,984,604.98	\$ 44,467,818.29

See the notes to financial statements.

CITY OF SPARTA, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
Year ended June 30, 2023

	<u>Sparta Electric System</u>	<u>Sparta Water and Sewer System</u>	<u>Total</u>
Operating revenue:			
Revenue billings (net of bad debts)	\$ 13,297,415.53	\$ 4,303,520.77	\$ 17,600,936.30
Other operating revenue	458,339.03	180,878.39	639,217.42
TOTAL OPERATING REVENUE	\$ 13,755,754.56	\$ 4,484,399.16	\$ 18,240,153.72
Operating expenses:			
Purchased power	\$ 10,317,275.51	\$ -	\$ 10,317,275.51
Operations and maintenance	1,682,332.67	3,235,118.50	4,917,451.17
Depreciation - straight-line	335,012.40	783,370.60	1,118,383.00
Taxes	60,434.15	100,200.15	160,634.30
TOTAL OPERATING EXPENSES	\$ 12,395,054.73	\$ 4,118,689.25	\$ 16,513,743.98
OPERATING INCOME	\$ 1,360,699.83	\$ 365,709.91	\$ 1,726,409.74
Non-operating revenue (expense):			
Interest income	175,058.66	132,492.56	307,551.22
Other non-operating revenue	952.06	-	952.06
Loss on disposal of capital assets	(500.00)	(18,751.48)	(19,251.48)
Interest expense	(5,004.42)	(127,889.40)	(132,893.82)
NET INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	\$ 1,531,206.13	\$ 351,561.59	\$ 1,882,767.72
Operating transfers in	-	53,803.56	53,803.56
Operating transfers out	(105,715.68)	(31,999.92)	(137,715.60)
ARC grant	-	2,375.75	2,375.75
INCREASE IN NET POSITION	\$ 1,425,490.45	\$ 375,740.98	\$ 1,801,231.43
Net position at July 1, 2022	12,877,264.70	22,596,007.46	35,473,272.16
NET POSITION AT JUNE 30, 2023	\$ 14,302,755.15	\$ 22,971,748.44	\$ 37,274,503.59

See the notes to financial statements.

CITY OF SPARTA, TENNESSEE
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the year ended June 30, 2023

	<u>Sparta Electric System</u>	<u>Sparta Water & Sewer System</u>	<u>Totals</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 14,135,709.52	\$ 4,523,423.43	\$ 18,659,132.95
Payments to suppliers	(11,980,603.66)	(1,595,936.80)	(13,576,540.46)
Payments to employees	(535,224.98)	(1,794,089.53)	(2,329,314.51)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,619,880.88	\$ 1,133,397.10	\$ 2,753,277.98
Cash flows from noncapital financing activities -			
Net decrease in energy service loan advances from TVA	\$ (4,074.11)	\$ -	\$ (4,074.11)
Operating transfers	(96,906.04)	(29,333.26)	(126,239.30)
Other non-operating income	952.06	-	952.06
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES	\$ (100,028.09)	\$ (29,333.26)	\$ (129,361.35)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	\$ (669,110.73)	\$ (771,468.51)	\$ (1,440,579.24)
Grant proceeds	-	100,188.50	100,188.50
Principle paid on revenue bonds and notes	-	(209,851.28)	(209,851.28)
Interest paid on revenue bonds and notes	-	(128,170.72)	(128,170.72)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (669,110.73)	\$ (1,009,302.01)	\$ (1,678,412.74)
Cash flows from investing activities:			
Interest from investments	\$ 175,058.66	\$ 132,492.56	\$ 307,551.22
Advance on CSA loan	(3,280.39)	-	(3,280.39)
Net payments on energy service loans	4,074.11	-	4,074.11
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$ 175,852.38	\$ 132,492.56	\$ 308,344.94
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 1,026,594.44	\$ 227,254.39	\$ 1,253,848.83
Cash and cash equivalents, July 1, 2022	6,318,682.51	4,773,399.85	11,092,082.36
CASH AND CASH EQUIVALENTS AT JUNE 30, 2023	\$ 7,345,276.95	\$ 5,000,654.24	\$ 12,345,931.19

See the notes to financial statements.

CITY OF SPARTA, TENNESSEE
STATEMENT OF CASH FLOWS- PROPRIETARY FUNDS
For the year ended June 30, 2023

	<u>Sparta Electric System</u>	<u>Sparta Water & Sewer System</u>	<u>Totals</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 1,360,699.83	\$ 365,709.91	\$ 1,726,409.74
Adjustments to reconcile net income to net cash provided from operating activities			
Provision for depreciation	463,298.46	783,370.60	1,246,669.06
Change in net pension liability (asset)	309,786.95	402,321.11	712,108.06
Change in deferred outflows - pension expense	82,626.30	82,512.00	165,138.30
Change in deferred inflows - pension expense	(467,433.00)	(581,826.00)	(1,049,259.00)
Expenses paid by the general fund	-	9,846.15	9,846.15
Interest paid on customer deposits	(5,004.42)	(1,833.58)	(6,838.00)
Donations	(500.00)	-	(500.00)
Bad debts	2,597.83	-	2,597.83
Change in current assets and current liabilities:			
(Increase) decrease in accounts receivable	217,348.05	-	217,348.05
(Increase) decrease in inventory	(89,211.61)	(60,202.46)	(149,414.07)
(Increase) decrease in due from Sparta Electric System	(10,475.75)	10,475.75	-
(Increase) decrease in unbilled revenue	-	14,955.45	14,955.45
(Increase) decrease in prepayments & other current assets	35,453.41	(3,705.02)	31,748.39
Increase (decrease) in accounts payable	(430,216.06)	77,224.21	(352,991.85)
Increase (decrease) in due to other funds	50,189.66	1,862.65	52,052.31
Increase (decrease) in accrued payroll and vacation	-	21,802.01	21,802.01
Increase (decrease) in customer deposits	94,650.00	13,350.00	108,000.00
Increase (decrease) in retirement payable	-	-	-
Increase (decrease) in other current liabilities	6,071.23	(2,465.68)	3,605.55
	<u>6,071.23</u>	<u>(2,465.68)</u>	<u>3,605.55</u>
	<u>\$ 1,619,880.88</u>	<u>\$ 1,133,397.10</u>	<u>\$ 2,753,277.98</u>

Schedule of non-cash capital and related financing activities:

\$43,957.41 in water and sewer fund capital assets were paid for by the general fund with ARPA funds.

Schedule of non-cash noncapital financing activities:

\$9,846.15 in water and sewer operating expenses were paid from the general fund with ARPA funds.

CITY OF SPARTA, TENNESSEE
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
TOTAL REVENUES	\$ 7,060,117	\$ 7,060,117	\$ 7,243,919	\$ 183,802
Expenditures:				
General Government:				
Board of Aldermen	\$ 21,293	\$ 21,293	\$ 10,192	\$ 11,101
City Court	64,853	64,853	44,003	20,850
Mayor	27,429	27,429	16,225	11,204
Boards and Commissions	1,300	2,000	1,120	880
City Administrator	254,658	254,658	47,559	207,099
General election	2,000	2,000	747	1,253
Financial administration	26,719	26,719	23,903	2,816
City Recorder	117,399	117,399	96,479	20,920
City Attorney	7,979	25,000	11,179	13,821
Personnel administration	1,000	1,000	-	1,000
Engineering - GIS	80,481	80,481	7,448	73,033
Planning and zoning	21,123	21,123	15,561	5,562
City Hall building	53,801	65,000	59,223	5,777
Industrial Parks	2,200	2,200	565	1,635
Other general government	233,925	250,000	244,710	5,290
Public Safety:				
Police	1,239,472	1,500,000	1,393,860	106,140
Traffic control	5,500	300,000	284,487	15,513
Emergency communication services	88,954	88,954	88,954	-
Fire	561,715	600,000	596,609	3,391
Inspection	111,170	111,170	85,746	25,424
Rescue Squad	3,800	3,800	3,800	-
Tornado sirens	6,500	6,500	5,375	1,125
Public Works:				
Administrative	152,114	152,114	45,101	107,013
Highways and streets	777,363	850,000	746,742	103,258
Mosquito control	2,500	20,000	25	19,975
Animal control	77,025	100,000	92,962	7,038
Direct assistance	80,670	525,000	504,871	20,129
Leisure and culture:				
Civic Center	51,205	65,000	32,907	32,093
Oldham's Theater	16,250	16,250	10,790	5,460
Little league ballparks	11,800	11,800	9,215	2,585
Swimming Pool	56,660	60,000	44,402	15,598
Sock hop	3,000	4,500	2,379	2,121

CITY OF SPARTA, TENNESSEE
BUDGETARY COMPARISON STATEMENT - GENERAL FUND (Cont'd)
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Amphitheater concerts	11,700	20,000	16,864	3,136
Parks	136,900	265,500	214,660	50,840
Old Baker School	1,700	1,700	1,397	303
Bockman Way building	1,000	1,000		1,000
Senior Citizens	11,500	40,000	31,155	8,845
Caboose	2,500	2,500		2,500
Airport	35,000	35,000	35,000	-
Historical Board	10,000	10,000	3,474	6,526
Economic development	2,000	5,000	1,729	3,271
Insurance, employers share	402,163	402,163	336,976	65,187
Debt Service:				
Principal	4,994	4,994	4,994	(0)
Interest	1,580	1,580	1,580	0
TOTAL EXPENDITURES	\$ 4,782,895	\$ 6,165,680	\$ 5,174,966	\$ 990,714
REVENUES OVER (UNDER) EXPENDITURES	\$ 2,277,222	\$ 894,437	\$ 2,068,953	\$ 1,174,516
Other financing sources (uses):				
Sale of land	-	-	350,000	350,000
Operating transfers in:				
Electric System	105,716	105,716	105,716	-
Water and Sewer System	32,000	32,000	32,000	-
Other funds	469,621	469,621	-	-
Operating transfers out:				
Debt Service	-	-	-	-
Liberty Square fund	(20,000)	(22,500)	(20,125)	2,375
Solid Waste fund	-	-	(250,000)	(250,000)
Drug fund	-	(20,000)	(5,930)	14,070
Capital Projects fund	(2,806,217)	(4,306,217)	(1,258,463)	3,047,754
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	\$ 58,342	\$ (2,846,943)	\$ 1,022,150	\$ 4,338,715
Fund balance at July 1, 2022	10,522,876	10,522,876	10,522,876	-
FUND BALANCE AT JUNE 30, 2023	\$ 10,581,218	\$ 7,675,933	\$ 11,545,027	\$ 4,338,715

See the notes to financial statements.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of the City of Sparta, Tennessee (City), are disclosed in subsequent sections of this note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2023.

2. REPORTING ENTITY

The identification of a financial reporting entity is built around the concept of financial accountability. That is, if a primary government is financially accountable for another entity, that entity's financial statements must be included in the financial statements of the reporting entity. While financial accountability is central to the identification of component units, even if it does not exist, an entity will be considered a component unit if that entity's relationship with the primary government is such that its exclusion would create misleading or incomplete financial statements.

Based upon this concept, the City of Sparta has no component units.

3. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2023

NOTE A (Cont'd):

**3. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Cont'd)**

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program users. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

**4. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND
FINANCIAL STATEMENT PRESENTATION**

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP).

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2023

NOTE A (Cont'd):

4. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Cont'd)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated on these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services which are billed monthly. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2023

NOTE A (Cont'd):

4. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Cont'd)

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. See Note D for information describing restricted assets.

5. FUND TYPES AND MAJOR FUNDS

The accounts of the City are organized in funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate.

GOVERNMENTAL FUNDS

The City reports the following major governmental funds:

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

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

Capital Projects Fund - The capital project fund is used to account for the construction and acquisition of major capital facilities, primarily infrastructure assets such as streets and sidewalks.

The other governmental funds of the City are as follows:

Special Revenue Funds – The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2023

NOTE A (Cont'd):

5. FUND TYPES AND MAJOR FUNDS (Cont'd)

PROPRIETARY FUNDS

The City reports the following major enterprise funds:

Sparta Electric System – accounts for the operating activities of the City's electric utilities services.

Sparta Water and Sewer System – accounts for the operating activities of the City's water supply system and of its sewage treatment plant, pumping stations, and collection system.

6. FUND BALANCES

Non-spendable Fund Balance – Fund balances reported as non-spendable in the accompanying financial statements represent amounts for inventory, prepaid expenditures, encumbrances, advances to other funds and noncurrent notes receivables.

Restricted Fund Balance – Fund balances reported as restricted are the result of externally imposed restrictions placed upon current resources by state statutes, creditors, bond covenants, donors or grantors.

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 they are needed.

Committed Fund Balance – Fund balances reported as committed are self-imposed restrictions placed upon certain resources by the Board of Mayor and Aldermen. Formal action, a resolution, must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned Fund Balance – Fund balances reported as assigned are intended for certain purposes as approved by Board of Mayor and Aldermen or management.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2023

NOTE A (Cont'd):

6. FUND BALANCES (cont'd)

Unassigned Fund Balance – In accordance with GAAP, the general fund is the only governmental fund that reports an unassigned fund balance. The unassigned fund balance has not been restricted, committed, or assigned to a specific purpose within the general fund.

When committed, assigned or unassigned fund balance amounts are available for use, it is the City's policy to use the committed fund balance first; the assigned fund balance second; and then the unassigned fund balance as they are needed.

7. CAPITAL ASSETS AND DEPRECIATION

The City's property, plant, equipment and infrastructure with useful lives of more than one year are stated at historical cost, or estimated cost if actual cost is not available, and comprehensively reported in the government-wide financial statements. Capital assets are depreciated over the estimated useful life of the asset using the straight-line method of depreciation. Cost consists of all direct costs related to the construction or acquisition of the assets. Donated capital assets are valued at their estimated fair value on the date donated.

Maintenance and repairs, which do not significantly extend the value or life of the property, plant, and equipment, are expensed as incurred.

Capital policy for the City is items purchased or betterment, not repairs, in excess of \$5,000.00 and having a useful life of one year or more will be capitalized.

General infrastructure assets acquired prior to July 1, 2004, are not reported in the basic financial statements.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2023

NOTE A (Cont'd):

7. CAPITAL ASSETS AND DEPRECIATION (Cont'd)

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

	<u>Years</u>
Buildings	39
Improvements, other than buildings	20-39
Equipment	5-12
Streets and sidewalks	50

Depreciation of all exhaustible capital assets used by the proprietary fund is charged as an expense against operations. Accumulated depreciation is reported on the proprietary fund statements of net assets.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

	<u>Years</u>
Buildings	15-40
Improvements, other than buildings	10-40
Equipment	3-10

8. BUDGETS AND BUDGETARY ACCOUNTING

Prior to July 1, the budget is legally enacted through passage of a resolution. Each fund's budget is prepared on the basis where current available funds must be sufficient to meet current expenditures. Expenditures may not legally exceed appropriations authorized by the resolution. The City Administrator is authorized to transfer line item amounts within any department; however, any revisions that alter the total expenditures to exceed the original budgeted amount must be approved by the Board of Mayor and Aldermen. All appropriations lapse at the end of each year.

The City's budgetary basis of accounting is consistent with generally accepted accounting principles.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2023

NOTE A (Cont'd):

9. CASH EQUIVALENTS

For purpose of the statement of cash flows, all highly liquid investments with a maturity date of three months or less when purchased are considered to be cash equivalents.

10. INVENTORIES

Sparta Electric System inventories are valued at average cost accumulated in perpetual inventory records which are periodically adjusted to physical counts.

Sparta Water and Sewer System inventories are priced at cost based on the first-in, first-out method.

11. CREDIT RISK

The City of Sparta provides water, sewer, electrical power and governmental type services for residential, commercial and industrial customers and citizens in the City of Sparta, Tennessee.

12. COMPENSATED ABSENCES

The City allows employees to accumulate unused sick leave. An employee terminated from service is not paid accumulated sick leave; therefore, sick leave has not been accrued because the amount cannot be reasonably estimated. Earned vacation time can be accrued up to certain maximums based upon years of service. Compensated absences are reported as accrued in the government-wide and proprietary financial statements.

13. USES OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Accordingly, actual results could differ from those estimates.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2023

NOTE A (Cont'd):

14. CONTRIBUTIONS

Contributions are recognized in the Statement of Revenues, Expenditures, and Changes in Net Position when earned. Contributions include developer contributed utility systems and federal, state and local grants in support of system improvements.

15. NET POSITION

Net position contains the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified as net investment in capital assets; restricted for capital activity and debt service; and unrestricted position. Net investment in capital asset is all capital assets, net of accumulated depreciation and outstanding debt attributable to the acquisition, construction or improvement of the assets; debt related to unspent proceeds or other restricted cash and investments is not included in this determination.

Restricted for capital activity and debt service includes net position restricted by external parties such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates. Unrestricted is the net position that do not meet the definition of net investment in capital assets or restricted for capital activity and debt service.

16. PROVISION FOR UNCOLLECTIBLE ACCOUNTS

Management has made an allowance for uncollectible accounts receivable. The allowance is based on prior years' experience.

17. NET POSITION FLOW ASSUMPTION

Sometimes the system will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2023

NOTE A (Cont'd):

18. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial 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) until then.

In addition to liabilities, the statement of financial 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.

For the year ended June 30, 2023, the City's governmental funds report unavailable revenue from property taxes. The amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The City also reports deferred outflows and deferred inflows from pensions.

19. PENSIONS

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

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2023

NOTE B - PROPERTY TAXES

Property taxes attach as an enforceable lien as of January 1. Taxes are levied on October 1, and are payable before March 1. The City bills and collects its own property taxes. City property tax revenues are recognized when levied to the extent that they result in current receivables.

NOTE C – BANK DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's deposit policy for custodial risk is as follows:

All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool.

The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the City.

Investments are held in the State of Tennessee's Local Government Investment Pool ("LGIP") and are not subject to categorization. LGIP investments are reported at cost.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2023

NOTE C – (Cont'd):

Statutes authorize the City to invest in direct obligations of the United States Treasury, its agencies and instrumentalities; money market funds; and, the state treasurer's investment pool (Tennessee Local Government Investment Pool), prime commercial paper, bankers' acceptance notes and certificates of deposit. The state treasurer's investment pool (LGIP) is not registered with the Securities and Exchange Commission (SEC) but does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. Accordingly, the City's investments in the pool have been based on the pool's share price. The City's amounts included in the pool are reported at the fair value of its position in the pool, which approximates the value of the shares of amortized cost.

The bank balance at June 30, 2023 totaled \$7,029,609.82

The LGIP balance at June 30, 2023 totaled \$18,316,493.54

NOTE D – RESTRICTED ASSETS

Certain proprietary fund assets are restricted for construction funded through long-term debt and federal grant revenues. Net position restricted for debt service includes the excess of assets over certain liabilities restricted for the debt service on bonds. Governmental funds report restricted assets for cash deposited in bank accounts legally restricted for specified uses such as the payment of debt service on long-term debt.

Restricted cash deposits at June 30, 2023 are as follows:

Governmental funds:

General Fund – ARPA funds	\$1,312,634.58
State Street Aid Fund	139,160.05
Drug Fund	110,241.86

Business-type funds:

Water and Sewer Fund – debt service	\$ 283,137.97
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CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2023

NOTE E- CHANGES IN CAPITAL ASSETS

	Balance at July 1	Additions	Reductions	Balance at June 30
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 731,768.56	\$ 125,911.00	\$ 44,025.00	\$ 813,654.56
Construction in progress	39,227.13	-	39,227.13	-
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	\$ 770,995.69	\$ 125,911.00	\$ 83,252.13	\$ 813,654.56
Capital Assets Being Depreciated:				
Buildings	\$ 3,565,737.93	\$ 156,291.13	\$ 18,263.59	\$ 3,703,765.47
Improvements, other than buildings	4,863,487.02	34,002.56	-	4,897,489.58
Infrastructure	4,783,793.16	1,053,114.91	-	5,836,908.07
Equipment	5,610,736.43	783,838.74	-	6,394,575.17
Total capital assets being depreciated	\$ 18,823,754.54	\$ 2,027,247.34	\$ 18,263.59	\$ 20,832,738.29
Less Accumulated Depreciation for:				
Buildings	\$ (2,099,420.59)	\$ (83,482.94)	\$ (18,263.50)	\$ (2,164,640.03)
Improvements, other than buildings	(2,476,175.88)	(87,693.57)	-	(2,563,869.45)
Infrastructure	(509,390.05)	(95,828.47)	-	(605,218.52)
Equipment	(4,140,882.41)	(279,858.70)	-	(4,420,741.11)
Total accumulated depreciation	\$ (9,225,868.93)	\$ (546,863.68)	\$ (18,263.50)	\$ (9,754,469.11)
Total capital assets being depreciated, net	\$ 9,597,885.61	\$ 1,480,383.66	\$ 0.09	\$ 11,078,269.18
Governmental activities : capital assets, net	\$ 10,368,881.30	\$ 1,606,294.66	\$ 83,252.22	\$ 11,891,923.74
Business-type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 265,412.11	\$ -	\$ -	\$ 265,412.11
Construction in progress	285,132.45	11,025.40	285,132.45	11,025.40
Total capital assets not being depreciated	\$ 550,544.56	\$ 11,025.40	\$ 285,132.45	\$ 276,437.51
Capital Assets Being Depreciated:				
Structures and improvements	\$ 5,637,650.35	\$ -	\$ -	\$ 5,637,650.35
Transportation equipment	2,999,355.48	36,764.00	-	3,036,119.48
Plant and improvements	40,967,318.37	1,727,976.76	147,083.83	42,548,211.30
Furniture and equipment	346,458.81	-	-	346,458.81
Machinery and equipment	705,339.49	56,350.39	-	761,689.88
Total capital assets being depreciated	\$ 50,656,122.50	\$ 1,821,091.15	\$ 147,083.83	\$ 52,330,129.82
Less Accumulated Depreciation for:				
Structures and improvements	\$ (3,765,142.58)	\$ (139,513.13)	\$ -	\$ (3,904,655.71)
Transportation equipment	(2,218,630.45)	(188,046.75)	-	(2,406,677.20)
Plant and improvements	(16,793,118.96)	(885,896.88)	(166,828.40)	(17,512,187.44)
Furniture and equipment	(318,176.12)	(5,875.96)	-	(324,052.08)
Machinery and equipment	(554,869.45)	(27,336.34)	-	(582,205.79)
Total accumulated depreciation	\$ (23,649,937.56)	\$ (1,246,669.06)	\$ (166,828.40)	\$ (24,729,778.22)
Total capital assets being depreciated, net	\$ 27,006,184.94	\$ 574,422.09	\$ (19,744.57)	\$ 27,600,351.60
Business-type activities : capital assets, net	\$ 27,556,729.50	\$ 585,447.49	\$ 265,387.88	\$ 27,876,789.11
CAPITAL ASSETS, NET	\$ 37,925,610.80	\$ 2,191,742.15	\$ 348,640.10	\$ 39,768,712.85

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2023

NOTE E (Cont'd):

Depreciation Expense

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

<i>Governmental activities</i>		<i>Business-type activities</i>	
General government	\$ 17,498.84	Electric	\$ 463,298.46
Public safety	145,831.51	Water and sewer	<u>783,370.60</u>
Highways and streets	173,597.25		
Culture and recreation	137,171.28		<u>\$ 1,246,669.06</u>
Sanitation	70,907.65		
Industrial development	<u>1,857.15</u>	Charged to depreciation expense	\$ 1,118,383.00
	<u>\$ 546,863.68</u>	Allocated to transportation expense	<u>128,286.06</u>
			<u>\$ 1,246,669.06</u>

CONSTRUCTION IN PROGRESS

Construction in progress at June 30, 2023 consisted of:

	<u>Actual to date</u>	<u>Remaining commitment</u>
Business-type activities:		
Sewer Rehabilitation Project	\$ 5,427.50	\$ 878,572.50
Residential subdivision	<u>5,597.90</u>	<u>-</u>
	<u>\$ 11,025.40</u>	<u>\$ 878,572.50</u>

The sewer rehabilitation project is being funded with a \$600,000.00 CDBG grant and a \$284,000.00 local match. Scheduled completion is December, 2025. The residential subdivision will be paid for by the developer. The total cost of the project has not yet been determined.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2023

NOTE F- LONG-TERM DEBT

Bonds are issued to provide funds for the acquisition and construction of capital assets. All bonds and notes are direct placements by the City.

Changes in long-term indebtedness of City of Sparta consists of:

	<u>Amount at</u> <u>July 1</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Retired</u>	<u>Amount at</u> <u>June 30</u>	<u>Current</u> <u>Portion</u>
General Obligation Bonds, 2001	\$ 28,450.94	\$ -	\$ 5,200.37	\$ 23,250.57	\$ 5,462.83
Accrued vacation payable				179,455.78	179,455.78
				\$ 202,706.35	\$ 184,918.61

General long-term debt is liquidated by resources in the General and the Solid Waste funds.

Water & Sewer Revenue Bonds, Series 2017	\$ 3,210,000.00	\$ -	\$ 180,000.00	\$ 3,030,000.00	\$ 180,000.00
Water and Sewer Revenue and Tax Bonds, Series 2011	1,401,361.12	-	29,851.28	1,371,509.84	30,634.86
TOTAL NOTES AND BONDS	\$ 4,611,361.12	\$ -	\$ 209,851.28	\$ 4,401,509.84	\$ 210,634.86
Unamortized premium				19,714.86	-
Advances from TVA for home weatherization loans				1,166.39	-
				\$ 4,422,391.09	\$ 210,634.86

The aforementioned general obligation bonds and notes are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. The revenue bonds are secured by the revenue sources of the Water and Sewer fund.

All bonds and notes are secured by an irrevocable pledge of the full faith and credit of the City.

Additional debt disclosure:

At June 30, 2023, long-term indebtedness of City of Sparta consists of:

	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u>	<u>Interest</u> <u>Rate</u>	<u>Payment</u>
General Obligation Bonds, Series 2001, (matures in 2027)	\$ 95,000.00	\$ 23,250.57	4.75%	annual
Accrued vacation		179,455.78		
		\$ 202,706.35		

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2023

NOTE F (Cont'd):

At June 30, 2023, long-term indebtedness of the enterprise funds consists of:

	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Payment</u>
Water and Sewer, Series 2017 Bond	\$ 3,850,000.00	\$ 3,030,000.00	varies	annual
Water and Sewer Revenue and Tax Bond, Series 2011 (matures 2052)	1,590,000.00	<u>1,371,509.84</u>	2.625%	\$5,553.08 (monthly, including interest)
		\$ 4,401,509.84		
Unamortized premium		19,714.86		
Advances from TVA for home weatherization loans		<u>1,166.39</u>		
TOTAL BONDS AND NOTES PAYABLE		<u><u>\$ 4,422,391.09</u></u>		

Debt service requirements to maturity:

A summary of the City of Sparta debt service requirements for principal and interest at June 30, 2023, is as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 5,462.83	\$ 1,111.17	\$ 6,574.00
2025	5,722.32	851.68	6,574.00
2026	5,994.13	579.87	6,574.00
2027	<u>6,071.29</u>	<u>502.71</u>	<u>6,574.00</u>
TOTAL	<u><u>\$ 23,250.57</u></u>	<u><u>\$ 3,045.43</u></u>	<u><u>\$ 26,296.00</u></u>

On October 6, 2011, the City authorized the issuance of \$1,590,000 Water and Sewer Revenue and Tax Bond, Series 2011. The Bond is issued to finance the construction of sewer system improvements and bears interest at the rate of 2.625%. The unpaid balance as of June 30, 2023 is \$1,371,509.84.

During the year ended June 30, 2019, the City issued \$3,725,000 in Water and Sewer Revenue Bonds, Series 2017, for water plant improvements. The interest rate varies between 1.8% and 3.25%. The unpaid balance as of June 30, 2023 is \$3,030,000.00.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2023

NOTE F (Cont'd):

The \$23,250.57 is the June 30, 2023 balance of the \$95,000.00 General Obligation Bonds, Series 2001, issued by the City of Sparta for the Senior Citizens building.

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

In the event of default on any of the above bonds or notes, the unpaid balances become immediately due and payable.

A schedule showing maturities and debt-service requirements of Sparta Water and Sewer System's outstanding bonds and interest bearing notes is included in the supplementary information section of this report.

Amounts required to amortize long-term debt outstanding as of June 30, 2023:

<u>Year ending</u>				
<u>June 30</u>	<u>Principal</u>		<u>Interest</u>	<u>Total</u>
2024	\$ 210,634.86	\$	123,967.14	\$ 334,602.00
2025	216,439.03		119,562.97	336,002.00
2026	222,264.29		114,852.71	337,117.00
2027	228,111.24		109,825.76	337,937.00
2028	228,980.41		104,471.59	333,452.00
2029-2033	1,268,759.43		414,463.07	1,683,222.50
2034-2038	1,209,177.78		204,099.72	1,413,277.50
2039-2043	238,112.07		95,072.93	333,185.00
2044-2048	271,048.59		62,136.41	333,185.00
2049-2053	307,982.14		24,643.83	332,625.97
TOTAL	\$ 4,401,509.84	\$	1,373,096.13	\$ 5,774,605.97
Unamortized premium	19,714.86			
	<u>\$ 4,421,224.70</u>			

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2023

Note G – JOINT VENTURE

The Upper Cumberland Regional Airport was established as a joint venture between Putnam County, White County, the City of Cookeville and the City of Sparta. The Upper Cumberland Regional Airport operates the regional airport for the two county area. The seven-member board of the Airport is composed of one member appointed by each participating government; chief executive officer of one of the participating governments in each county on a two year rotating basis; and a representative from the pilot's committee who is selected by the pilot's committee, subject to the approval of the other members of the board. Each participant retains a 25% ownership in the Airport; however, they do not retain an equity interest in the Airport. During the year ended June 30, 2023, the City appropriated an operating subsidy of \$35,000 to the Airport. Complete financial statements for the Upper Cumberland Regional Airport can be obtained from the Upper Cumberland Regional Airport's administrative office at 750 Airport Road, Sparta, Tennessee 38583, or from the City Administrator's office at the Sparta City Hall.

Note H - JOINTLY GOVERNED ORGANIZATION

The City and the White County Board of Commissioners participate in The White County 911 Emergency Communications District, a component unit of White County, Tennessee (County). Any short fall between the District's budgeted revenues and operating expenses are subsidized by the City and County, 25% and 75%, respectively. The Board of Directors of the District is appointed by the City and County in the same proportion as each entity contributes to the funding of the District. During the year ended June 30, 2023, the City contributed \$88,954.00 to the operations of the District.

Note I – RELATED ORGANIZATION

Sparta Housing Authority – The Board of the Sparta Housing Authority is appointed by the Mayor and Board of Aldermen, but the City provides no funding and has no means to impose will upon the operations of the Authority.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2023

NOTE J - GENERAL INFORMATION ABOUT THE PENSION PLAN

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

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

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

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2023

NOTE J - (Cont'd):

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	64
Inactive employees entitled to but not yet receiving benefits	50
Active employees	81
Total employees	<u>195</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. Sparta makes employer contributions at a rate, in excess of the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2023, employer contributions for Sparta were \$558,953 based on a rate of 14.00 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Sparta's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

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

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

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

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2023

NOTE J - (Cont'd):

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

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

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

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	4.88%	31.00%
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%
		100.00%

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.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2023

NOTE J - (Cont'd):

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 Sparta 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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 06/30/21	\$ 18,677,758	\$ 20,582,260	\$ (1,904,502)
Changes for the year:			
Service cost	353,540		353,540
Interest	1,255,020		1,255,020
Differences between expected and actual experience	(66,021)		(66,021)
Changes in assumptions	-		-
Contributions - employer		558,953	(558,953)
Contributions - employees		199,626	(199,626)
Net investment income		(784,984)	784,984
Benefit payments, including refunds of employee contributions	(876,821)	(876,821)	-
Administrative expense		(8,043)	8,043
Net changes	665,718	(911,269)	1,576,987
Balance at 06/30/22	\$ 19,343,476	\$ 19,670,991	\$ (327,515)

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2023

NOTE J - (Cont'd):

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

The following presents the net pension liability (asset) of Sparta calculated using the discount rate of 6.75 percent, as well as what the net pension liability 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%)
Sparta's net pension liability (asset)	\$ 2,314,466	\$ (327,515)	\$ (2,520,102)

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

Negative pension expense. For the year ended June 30, 2023, Sparta recognized pension expense of \$222,372.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 468,352	\$ 465,167
actual earnings on pension plan investments	40,620	-
Changes in assumptions	874,073	-
Contributions subsequent to the measurement date of June 30, 2022	619,604	-
Total	\$ 2,002,649	\$ 465,167

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

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2023

NOTE J - (Cont'd):

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

Year Ended June 30:

2024	\$	121,286
2025		175,325
2026		81,242
2027		551,023
2028		(11,004)
Thereafter		-

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

Payable to the Pension Plan

At June 30, 2023, Sparta reported no outstanding contributions to the pension plan required for the year ended June 30, 2023.

NOTE K - MULTIPLE-EMPLOYER DEFINED CONTRIBUTIONS PLANS

Tennessee State Deferred Compensation Plan and Trust - 457(b) & 401(k)

Participation in this plan is optional and is 100% funded by participant's elective contributions. The City does not make employer contributions to this plan. Plan benefits are dependent solely on amounts contributed by participants plus investment earnings. Employees are eligible to participate on the first day of employment.

At June 30, 2023 there are 19 active participants in the 457(b) plan and 4 active participants in the 401(k) plan. During the year participant contributions amounted to \$63,314.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2023

NOTE L- RISK FINANCING ACTIVITIES

The City's risks of loss relating to general liability, property and casualty and workers' compensation are covered by participation in a public entity risk pool. The City joined the Tennessee Municipal League Risk Management Pool, which is a public entity risk pool established by the Tennessee Municipal League, an association of member municipalities. The City pays an annual premium to the TML Pool for its insurance coverage. The creation of the TML Pool provides for it to be self-sustaining through member premiums.

The City continues to carry commercial insurance for surety bond coverage. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE M - SCHEDULE OF INTERFUND RECEIVABLES AND PAYABLES

Due from:

	Electric Fund	Water and Sewer Fund	Solid Waste	Total
<u>Due to:</u>				
General Fund	\$ 10,236.71	\$ 7,123.44	\$ 294,940.24	\$ 312,300.39
Solid Waste Fund	48,763.00			48,763.00
Water & Sewer	702,594.80	-	-	702,594.80
	\$ 761,594.51	\$ 7,123.44	\$ 294,940.24	\$ 1,063,658.19

Interfund receivables and payables are the result of transactions, including the receipt of grant money, purchase or construction of capital assets, collection of customer payments, and payment of trade accounts payable, which are paid for or received in one fund on behalf of a different fund.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2023

NOTE N – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2023, were as follows:

Transfer from:

<u>Transfer to:</u>	<u>General</u>	<u>Electric</u>	<u>Water & Sewer</u>	<u>Capital Projects ARPA</u>	<u>Total</u>
General	\$ -	\$ 105,715.68	\$ 31,999.92	\$ -	\$ 137,715.60
Liberty Square	20,125.00	-	-	-	20,125.00
Solid Waste	250,000.00	-	-	-	250,000.00
Drug	5,930.42	-	-	-	5,930.42
Capital Project	1,060,724.41	-	-	-	1,060,724.41
Capital Project ARPA	197,738.47	-	-	-	197,738.47
Water & Sewer	-	-	-	53,803.56	53,803.56
TOTAL	\$ 1,534,518.30	\$ 105,715.68	\$ 31,999.92	\$ 53,803.56	\$ 1,726,037.46

Transfers between funds are made for payments in lieu of tax from the proprietary funds and to move unrestricted general fund revenues to finance programs that the City accounts for in other funds, such as equipment purchases and solid waste expenditures.

NOTE O – TDEC CONSENT ORDER

On August 17, 2022, the City of Sparta received a Consent Order Agreement from the Commissioner of the Tennessee Department of Environment and Conservation (TDEC), which superseded and effectively closed the previous 2006 Commissioner’s Order. The 2022 Consent Order was a result of effluent discharge violations to our TDEC National Pollutant Discharge Elimination System (NPDES) permit during the period of January 1, 2020 through December 31, 2021. In order to comply with the TDEC Order, the City is required to develop and submit to TDEC for approval, several assessment and evaluation reports, including the following documents:

1. Within 120 days of execution of the Consent Order, a Collection System Corrective Action Plan/Engineering Report (CS-CAP/ER) that shall include a description of completed projects and future plans to address issues contributing to overflows and releases, and a project timeline for beginning and completing all activities relating to the plan. Additionally, it shall identify interim compliance measures while the corrective actions are underway. Once approved, these dates will become enforceable part of the Consent Order and subject to contingent penalties.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2023

NOTE O – (Cont'd)

2. Within 240 days of execution of the Consent Order, an updated written summary of the elements of its capacity, management, operations, and maintenance (CMOM) program. This program shall document, in detail, existing activities that are part of the program or, if necessary, shall develop and implement new activities that are to be part of the program.
3. The City shall submit annual reports analyzing the effectiveness of the CMOM program and showing the progress made on each item included in the approved CS-CAP/ER.
4. Within 60 days of execution of the Consent Order, The City shall submit an updated Sewer Overflow Response Plan (SORP). The new SORP is to be fully implemented within 60 days of approval.
5. Within 30 days of execution of the Consent Order, the City shall provide a report for each overflow and release reported to the Division that includes the date, estimated duration in hours, estimated quantity of wastewater in gallons and, if applicable, the receiving stream for each instance.
6. A sewer availability moratorium on new connections to the wastewater collection system, with relief provisions which require written requests to the Division.
7. The City shall submit a final report to the Division 180 days after the completion of the CS-CAP/ER, detailing the date of completion of each action item in the plan and evaluate the effectiveness of the actions taken.
8. The City shall initiate reporting on an electronic MOR beginning with the first day of the subsequent monitoring period.

The City was assessed a civil penalty of \$90,288.00, of which \$4,514.50 was paid upfront. The remaining balance will be paid only if the City fails to comply with the corrective action items.

To date, the City has complied with all aspects of the Consent Order.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2023

NOTE P – LAWSUIT

Lawsuit

In October, 2022, a lawsuit was filed in U.S. District Court for the Middle District of Tennessee, Northeastern Division, alleging violations of the Clean Water Act, Sections 301 and 402 of the Clean Water Act, 33 U.S.C. 1311 and 1342 and Sections 122.1, *et sec.*, of Title 40 of the Code of Federal Regulations. The plaintiff contends that the City is in violation of its NPDES permit and the Clean Water Act by allowing sewage overflows.

On May 4, 2023, the Mayor and Board of Aldermen voted in favor of settling the lawsuit and entered into a Consent Decree, in which the City of Sparta denies any and all of the Plaintiff's claims in its "intent to sue" letter and complaint filed in this lawsuit. The Consent Decree is a settlement of disputed facts and law. It is not an admission or adjudication regarding any allegations by the Plaintiff in this case or any fact or conclusion of law related to those allegations. The terms of the Consent Decree include the City of Sparta complying with the Tennessee Department of Environment and Conservation Consent Order executed on August 17, 2022, and/or any subsequent order or agreement with TDEC replacing, modifying, or supplementing said Order, among other terms such as Sparta providing documentation related to the TDEC Order to the Plaintiff. Failure to comply with the terms is a violation of the Consent Decree for which said Decree outlines a process regarding any alleged violation. Upon termination of the Consent Decree, these claims shall be released and dismissed with prejudice.

40 CFR Section 135.5 contains the service procedure for which the Plaintiff must submit the Consent Decree to the Administrator of the Environmental Protection Agency, among others. The Consent Decree shall not be entered by the Court prior to the forty-five (45) days following receipt by both the Administrator of the EPA and Attorney General. Following the process, as outlined in the regulations, the Plaintiff will provide Sparta with notice of entry of the Consent Decree for which the complaint is dismissed and the Consent Decree takes the complaint's place. Within thirty (30) days of the entry of the Consent Decree, Sparta will pay the Plaintiff its attorney's fees and costs in the total amount of \$10,077.60.

The Consent Decree was filed on August 2, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SPARTA, TENNESSEE
SCHEDULES OF CHANGES IN SPARTA'S NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS BASED ON PARTICIPATION IN THE
PUBLIC EMPLOYEE PENSION PLAN OF TCRS
Last Fiscal Year ending June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total pension liability									
Service cost	\$ 284,379	\$ 275,523	\$ 263,138	\$ 286,348	\$ 288,950	\$ 312,238	\$ 302,893	\$ 305,757	\$ 353,540
Interest	917,743	967,598	1,004,997	1,031,950	1,078,267	1,098,135	1,147,042	1,245,699	1,255,020
Changes in benefit terms	-	-	-	-	-	-	-	-	-
Differences between actual & expected experience	207,860	59,413	(143,028)	104,642	(289,000)	126,597	852,308	(542,979)	(66,021)
Change of assumptions	-	-	-	486,786	-	-	-	1,311,111	-
Benefit payments including refunds of employee contributions	(670,898)	(801,900)	(781,079)	(796,798)	(801,241)	(853,694)	(852,397)	(1,036,246)	(876,821)
Net change in total pension liability	\$ 739,084	\$ 500,634	\$ 344,028	\$ 1,112,928	\$ 276,976	\$ 683,276	\$ 1,449,846	\$ 1,283,342	\$ 665,718
Total pension liability - beginning	12,287,644	13,026,728	13,527,362	13,871,390	14,984,318	15,261,294	15,944,570	17,394,416	18,677,758
Total pension liability - ending (a)	<u>\$ 13,026,728</u>	<u>\$ 13,527,362</u>	<u>\$ 13,871,390</u>	<u>\$ 14,984,318</u>	<u>\$ 15,261,294</u>	<u>\$ 15,944,570</u>	<u>\$ 17,394,416</u>	<u>\$ 18,677,758</u>	<u>\$ 19,343,476</u>
Plan fiduciary net position									
Contributions - employer	\$ 382,840	\$ 364,614	\$ 366,987	\$ 420,653	\$ 465,694	\$ 492,813	\$ 537,333	\$ 522,845	\$ 558,953
Contributions - employee	165,559	161,764	183,901	161,790	166,320	176,006	191,905	186,731	199,626
Net investment income	1,809,764	385,678	335,533	1,445,579	1,162,382	1,115,520	790,431	4,254,988	(784,984)
Benefit payments, including refunds of employee contributions	(670,898)	(801,900)	(781,079)	(796,798)	(801,241)	(853,694)	(852,397)	(1,036,246)	(876,821)
Administrative expense	(3,539)	(4,142)	(6,121)	(6,637)	(7,645)	(7,217)	(7,152)	(7,169)	(8,043)
Net change in plan fiduciary net position	\$ 1,683,726	\$ 106,014	\$ 99,221	\$ 1,224,587	\$ 985,510	\$ 923,428	\$ 660,120	\$ 3,921,149	\$ (911,269)
Plan fiduciary net position - beginning	10,978,505	12,662,231	12,768,245	12,867,466	14,092,053	15,077,563	16,000,991	16,661,111	20,582,260
Plan fiduciary net position - ending (b)	<u>\$ 12,662,231</u>	<u>\$ 12,768,245</u>	<u>\$ 12,867,466</u>	<u>\$ 14,092,053</u>	<u>\$ 15,077,563</u>	<u>\$ 16,000,991</u>	<u>\$ 16,661,111</u>	<u>\$ 20,582,260</u>	<u>\$ 19,670,991</u>
Net Pension Liability (asset) - ending (a) - (b)	<u>\$ 364,497</u>	<u>\$ 759,117</u>	<u>\$ 1,003,924</u>	<u>\$ 892,265</u>	<u>\$ 183,731</u>	<u>\$ (56,421)</u>	<u>\$ 733,305</u>	<u>\$ (1,904,502)</u>	<u>\$ (327,515)</u>
Plan fiduciary net position as a percentage of total pension liability	97.20%	94.39%	92.76%	94.05%	98.80%	100.35%	95.78%	110.20%	101.69%
Covered-employee payroll	\$ 3,306,048	\$ 3,235,257	\$ 3,256,312	\$ 3,235,792	\$ 3,326,385	\$ 3,520,097	\$ 3,838,090	\$ 3,734,604	\$ 3,992,517
Net pension liability (asset) as a percentage of covered-employee payroll	11.03%	23.46%	30.83%	27.57%	5.52%	-1.60%	19.11%	-51.00%	-8.20%

Notes to Schedule:

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

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementations of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date.

CITY OF SPARTA, TENNESSEE
SCHEDULE OF SPARTA'S CONTRIBUTIONS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
Last Fiscal Year ending June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Actuarially determined contribution	\$ 382,840	\$ 364,758	\$ 366,987	\$ 364,674	\$ 432,763	\$ 457,965	\$ 441,761	\$ 429,854	\$ 459,539	\$ 509,403
Contributions in relation to the actuarially determined contribution	382,840	364,758	366,987	420,653	465,695	492,814	537,329	522,845	558,953	619,604
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (55,979)	\$ (32,932)	\$ (34,849)	\$ (95,568)	\$ (92,992)	\$ (99,414)	\$ (110,201)
Covered-employee payroll	\$ 3,306,048	\$ 3,236,539	\$ 3,256,312	\$ 3,235,792	\$ 3,326,390	\$ 3,520,103	\$ 3,838,066	\$ 3,734,609	\$ 3,992,517	\$ 4,425,740
Contributions as a percentage of covered-employee payroll	11.58%	11.27%	11.27%	13.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

CITY OF SPARTA, TENNESSEE

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00
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 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 to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

SUPPLEMENTARY INFORMATION

CITY OF SPARTA, TENNESSEE
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023

	State Street Aid Fund	Solid Waste Fund	Equipment Fund	Drug Fund	Liberty Square Fund	Industrial Development Fund	Total Special Revenue
<u>ASSETS</u>							
Cash	\$ 139,160.05	\$ 317,913.71	\$ 36,696.49	\$ 110,241.86	\$ 37,792.88	\$ 537,224.39	\$ 1,179,029.38
Due from other funds		48,763.00	-	-	-	-	48,763.00
Due from other governments	29,686.86	-	-	-	-	-	29,686.86
	<u>\$ 168,846.91</u>	<u>\$ 366,676.71</u>	<u>\$ 36,696.49</u>	<u>\$ 110,241.86</u>	<u>\$ 37,792.88</u>	<u>\$ 537,224.39</u>	<u>\$ 1,257,479.24</u>
<u>LIABILITIES AND FUND BALANCE</u>							
Liabilities:							
Accounts payable	\$ -	\$ 7,358.66	\$ -	\$ -	\$ -	\$ -	\$ 7,358.66
Due to other funds	-	294,940.24	-	-	-	-	294,940.24
TOTAL LIABILITIES	\$ -	\$ 302,298.90	\$ -	\$ -	\$ -	\$ -	\$ 302,298.90
Fund balance:							
Restricted	\$ 168,846.91	\$ -	\$ -	\$ 110,241.86	\$ -	\$ -	\$ 279,088.77
Committed	-	64,377.81	-	-	-	537,224.39	601,602.20
Assigned		-	36,696.49	-	37,792.88	-	74,489.37
TOTAL FUND EQUITY	<u>\$ 168,846.91</u>	<u>\$ 64,377.81</u>	<u>\$ 36,696.49</u>	<u>\$ 110,241.86</u>	<u>\$ 37,792.88</u>	<u>\$ 537,224.39</u>	<u>\$ 955,180.34</u>
	<u>\$ 168,846.91</u>	<u>\$ 366,676.71</u>	<u>\$ 36,696.49</u>	<u>\$ 110,241.86</u>	<u>\$ 37,792.88</u>	<u>\$ 537,224.39</u>	<u>\$ 1,257,479.24</u>

CITY OF SPARTA, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION-
NONMAJOR GOVERNMENTAL FUNDS
Year ended June 30, 2023

SPECIAL REVENUE FUNDS

	State Street Aid Fund	Solid Waste Fund	Equipment Fund	Drug Fund	Liberty Square Fund	Industrial Development Fund	Total Special Revenue
Revenues:							
Intergovernmental revenues	\$ 173,627.76	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 173,627.76
Interest income	3,498.65	-	1,288.45	3,436.89	-	19,230.60	27,454.59
Services	-	622,436.01	-	-	-	-	622,436.01
Fines and costs	-	519.00	-	5,315.12	-	-	5,834.12
Contributions	-	-	-	1,020.00	13,805.00	-	14,825.00
Miscellaneous	-	-	-	17,933.49	-	-	17,933.49
TOTAL REVENUES	\$ 177,126.41	\$ 622,955.01	\$ 1,288.45	\$ 27,705.50	\$ 13,805.00	\$ 19,230.60	\$ 862,110.97
Expenditures:							
Street lights	\$ 161,480.73	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 161,480.73
Street equipment	-	-	-	-	-	-	-
Economic development and assistance	-	-	-	-	-	10,000.00	10,000.00
Sanitation	-	815,598.00	-	-	-	-	815,598.00
Police	-	-	-	30,043.32	-	-	30,043.32
Public relations	-	-	-	-	33,864.20	-	33,864.20
TOTAL EXPENDITURES	\$ 161,480.73	\$ 815,598.00	\$ -	\$ 30,043.32	\$ 33,864.20	\$ 10,000.00	\$ 1,050,986.25
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 15,645.68	\$ (192,642.99)	\$ 1,288.45	\$ (2,337.82)	\$ (20,059.20)	\$ 9,230.60	\$ (188,875.28)
Net operating transfers	-	250,000.00	-	5,930.42	20,125.00	-	276,055.42
INCREASE (DECREASE) IN FUND BALANCE	\$ 15,645.68	\$ 57,357.01	\$ 1,288.45	\$ 3,592.60	\$ 65.80	\$ 9,230.60	\$ 87,180.14
Fund balance at July 1, 2022	153,201.23	7,020.80	35,408.04	106,649.26	37,727.08	527,993.79	868,000.20
FUND BALANCE AT JUNE 30, 2023	\$ 168,846.91	\$ 64,377.81	\$ 36,696.49	\$ 110,241.86	\$ 37,792.88	\$ 537,224.39	\$ 955,180.34

CITY OF SPARTA, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION-
CAPITAL PROJECTS FUNDS
Year ended June 30, 2023

	Capital Projects Fund	ARPA Fund	Total Special Revenue
Revenues:	\$ -	\$ -	\$ -
Expenditures:			
Paved Streets	\$ 1,053,114.91	\$ -	\$ 1,053,114.91
Sidewalks	7,609.50	-	7,609.50
Public Works	-	24,870.91	24,870.91
Animal Control	-	9,818.00	9,818.00
YMCA	-	33,079.00	33,079.00
Civic Center	-	76,167.00	76,167.00
TOTAL EXPENDITURES	\$ 1,060,724.41	\$ 143,934.91	\$ 1,204,659.32
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (1,060,724.41)	\$ (143,934.91)	\$ (1,204,659.32)
Operating transfer from General Fund	1,060,724.41	197,738.47	1,258,462.88
Operating transfer to Water and Sewer Fund	-	(53,803.56)	(53,803.56)
INCREASE (DECREASE) IN FUND BALANCE	\$ -	\$ -	\$ -
Fund balance at July 1, 2022	-	-	-
FUND BALANCE AT JUNE 30, 2023	\$ -	\$ -	\$ -

CITY OF SPARTA, TENNESSEE
BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
Year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note A)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest income	\$ 15	\$ 150	\$ 4,288	\$ 4,138
Expenditures:				
Retirement of bonds	\$ 209,851	\$ 209,851	\$ -	\$ 209,851
Interest on bonds	128,171	128,171	-	128,171
TOTAL EXPENDITURES	<u>\$ 338,022</u>	<u>\$ 338,022</u>	<u>\$ -</u>	<u>\$ 338,022</u>
EXCESS OF EXPENDITURES OVER REVENUES				
	\$ (338,007)	\$ (337,872)	\$ 4,288	\$ 342,160
Operating transfer	<u>338,022</u>	<u>349,850</u>	<u>-</u>	<u>(349,850)</u>
CHANGE IN FUND BALANCE				
	<u>\$ 15</u>	<u>\$ 11,978</u>	<u>\$ 4,288</u>	<u>\$ (7,691)</u>

CITY OF SPARTA, TENNESSEE
BUDGETARY COMPARISON SCHEDULE - STATE STREET AID FUND
Year ended June 30, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenue	\$ 179,837	\$ 179,837	\$ 173,628	\$ (6,209)
Interest earnings	15	15	3,499	3,484
TOTAL REVENUES	\$ 179,852	\$ 179,852	\$ 177,126	\$ (2,726)
Expenditures:				
Street lighting	\$ 150,000	\$ 162,500	\$ 161,481	\$ 1,019
Street repairs	7,500	\$ 7,500	-	7,500
Street light poles	20,000	20,000	-	20,000
TOTAL EXPENDITURES	177,500	190,000	161,481	28,519
CHANGE IN FUND BALANCE	\$ 2,352	\$ (10,148)	\$ 15,646	\$ 25,794

CITY OF SPARTA, TENNESSEE
BUDGETARY COMPARISON SCHEDULE - SOLID WASTE FUND
Year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
			<u>(See Note A)</u>	<u>Positive (Negative)</u>
Revenues:				
Refuse collection	\$ 555,000	\$ 580,000	\$ 622,436	\$ 42,436
Other	-	-	519	519
TOTAL REVENUES	<u>\$ 555,000</u>	<u>\$ 580,000</u>	<u>\$ 622,955</u>	<u>\$ 42,955</u>
Expenditures:				
Solid waste expenses	491,354	950,000	815,598	134,402
TOTAL EXPENDITURES	<u>491,354</u>	<u>950,000</u>	<u>815,598</u>	<u>134,402</u>
EXCESS OF EXPENDITURES				
OVER REVENUES	\$ 63,646	\$ (370,000)	\$ (192,643)	\$ 177,357
Operating transfer in	-	-	250,000	250,000
Operating transfer out	(50,000)	(50,000)	-	50,000
CHANGE IN				
FUND BALANCE	<u>\$ 13,646</u>	<u>\$ (420,000)</u>	<u>\$ 57,357</u>	<u>\$ 477,357</u>

CITY OF SPARTA, TENNESSEE
BUDGETARY COMPARISON SCHEDULE - DRUG FUND
Year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note A)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest earnings	\$ 20	\$ 3,500	\$ 3,437	\$ (63)
Fines, contributions and other	2,000	31,500	24,269	(7,231)
TOTAL REVENUES	\$ 2,020	\$ 35,000	\$ 27,706	\$ (7,294)
Expenditures:				
Police expenditures	\$ 24,000	\$ 60,000	\$ 30,043	\$ 29,957
EXCESS OF EXPENDITURES OVER REVENUES	\$ (21,980)	\$ (25,000)	\$ (2,337)	\$ (37,251)
Operating transfer in	-	-	5,930	5,930
CHANGE IN FUND BALANCE	\$ (21,980)	\$ (25,000)	\$ 3,593	28,593

CITY OF SPARTA, TENNESSEE
BUDGETARY COMPARISON SCHEDULE - LIBERTY SQUARE FUND
Year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note A)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Contributions and donations	\$ 15,000	\$ 20,000	\$ 13,805	\$ (6,195)
Expenditures:				
Public Relations	\$ 35,000	\$ 40,000	\$ 33,864	\$ 6,136
EXCESS OF EXPENDITURES				
OVER REVENUES	\$ (20,000)	\$ (20,000)	\$ (20,059)	\$ (59)
Operating transfers in	20,000	20,000	20,125	125
CHANGE IN				
FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66</u>	<u>\$ 66</u>

CITY OF SPARTA, TENNESSEE
BUDGETARY COMPARISON SCHEDULE - INDUSTRIAL DEVELOPMENT FUND
Year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
			<u>(See Note A)</u>	<u>Positive (Negative)</u>
Revenues:				
Interest earnings	\$ 150	\$ 20,000	\$ 19,231	\$ (769)
Expenditures:				
Economic development and assistance	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
TOTAL EXPENDITURES	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
CHANGE IN FUND				
BALANCE	<u>\$ (9,850)</u>	<u>\$ 10,000</u>	<u>\$ 9,231</u>	<u>\$ (769)</u>

CITY OF SPARTA, TENNESSEE
BUDGETARY COMPARISON SCHEDULE - EQUIPMENT FUND
Year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note A)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue: -				
Interest Income	\$ -	\$ 1,000	\$ 1,288	\$ 288
Expenditures:				
Transportation Equipment and Machinery	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
EXCESS OF EXPENDITURES OVER REVENUES	\$ (50,000)	\$ (49,000)	\$ 1,288	\$ 50,288
Operating transfer in	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
CHANGE IN FUND BALANCE	<u><u>\$ -</u></u>	<u><u>\$ 1,000</u></u>	<u><u>\$ 1,288</u></u>	<u><u>\$ 288</u></u>

CITY OF SPARTA, TENNESSEE
BUDGETARY COMPARISON SCHEDULE - CAPITAL PROJECT FUND
Year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note A)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Paved streets & sidewalks	\$ 1,000,000	\$ 2,500,000	\$ 1,060,724	\$ 1,439,276
EXCESS OF EXPENDITURES OVER REVENUES	\$ (1,000,000)	\$ (2,500,000)	\$ (1,060,724)	\$ (1,439,276)
Operating transfer in	1,000,000	2,500,000	1,060,724	1,439,276
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SPARTA, TENNESSEE
BUDGETARY COMPARISON SCHEDULE - CAPITAL PROJECT FUND - ARPA
Year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
			<u>(See Note A)</u>	<u>Positive (Negative)</u>
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Paved streets & sidewalks	\$ -	\$ 400,000	\$ 143,935	\$ 256,065
EXCESS OF EXPENDITURES				
OVER REVENUES	\$ -	\$ (400,000)	\$ (143,935)	\$ (256,065)
Operating transfer in		500,000	197,738	302,262
Operating transfer out	-	(100,000)	(53,804)	(46,196)
CHANGE IN				
FUND BALANCE	\$ -	\$ -	\$ -	\$ -

CITY OF SPARTA, 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	Last Maturity Date	Outstanding 7/1/2022	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2023
Governmental Activities									
<u>BONDS PAYABLE</u>									
<u>Payable through the general fund</u>									
2001 General Obligation Bonds	\$ 95,000.00	4.75%	02/27/02	02/27/27	\$ 28,450.94	\$ -	\$ 5,200.37	\$ -	\$ 23,250.57
Business-Type Activities									
<u>BONDS PAYABLE</u>									
Water & Sewer Series 2017	\$ 3,850,000.00	3.250%	03/31/17	06/01/37	\$ 3,210,000.00	\$ -	\$ 180,000.00	\$ -	\$ 3,030,000.00
Water & Sewer Series 2011	1,590,000.00	2.625%	12/09/14	12/09/52	1,401,361.12	-	29,851.28	-	1,371,509.84
Total bonds, business-type activities		1.800% -			<u>\$ 4,611,361.12</u>	<u>\$ -</u>	<u>\$ 209,851.28</u>	<u>\$ -</u>	<u>\$ 4,401,509.84</u>

CITY OF SPARTA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
Year ended June 30, 2023

<u>Federal Agency/Pass-through Agency/ State Program Title</u>	<u>ALN</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
<u>Federal Awards</u>			
U.S. Department of Housing and Urban Development Tennessee Department of Economic and Community Development			
Community Development Block Grant	14.228	33004-96818	\$ 2,375.75
U.S. Treasury			
Coronavirus State and Local Fiscal Recovery Funds	21.027		197,738.47
U.S. Department of the Interior			
Historic Preservation Fund Grants-In-Aid	15.904		<u>11,384.40</u>
TOTAL FEDERAL AWARDS			<u>\$ 211,498.62</u>
<u>State Financial Assistance</u>			
Tennessee Department of Transportation Traffic Signal Improvement		STP-M-9218(12)	\$ 186,989.74
Tennessee Arts Commission		31625-19006	<u>4,643.94</u>
TOTAL STATE AWARDS			<u>\$ 191,633.68</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 403,132.30</u>

NOTE 1 - LOANS OUTSTANDING

At June 30, 2023, there were outstanding balances of \$23,250.57 and \$1,371,509.84 on loans obtained in previous years through the U.S. Department of Agriculture, Rural Utilities Services. Payments during the current fiscal year totaled \$73,211.00, including interest.

NOTE 2 - BASIS OF PRESENTATION:

The accompanying Schedule of Federal Awards and State Financial Assistance summarizes the expenditures of the City of Sparta under programs of the federal and state governments for the year ended June 30, 2023. The schedule is presented using the accrual basis of accounting.

NOTE 3 - INDIRECT COST RATE:

The City of Sparta has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

OTHER FINANCIAL INFORMATION (UNAUDITED)

CITY OF SPARTA, TENNESSEE
LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS
June 30, 2023

Maturities During Year Ending June 30,	General Obligation 2/27/2002 \$95,000.00		
	Principal	Interest	Total
2024	\$ 5,462.83	\$ 1,111.17	\$ 6,574.00
2025	5,722.32	851.68	6,574.00
2026	5,994.13	579.87	6,574.00
2027	6,071.29	502.71	6,574.00
	<u>\$ 23,250.57</u>	<u>\$ 3,045.43</u>	<u>\$ 26,296.00</u>

CITY OF SPARTA, TENNESSEE
SPARTA WATER AND SEWER SYSTEM
BONDS PAYABLE AND DEBT SERVICE REQUIREMENTS
June 30, 2023

**Maturities
During
Year
Ending
June 30,**

**Water and Sewer Revenue and
Tax Bond, Series 2011**
**Water and Sewer, Series 2017
3/30/2017**
12/9/2014
\$3,850,000.00
\$1,590,000.00

	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 180,000.00	\$ 87,965.00	\$ 30,634.86	\$ 36,002.14	\$ 334,602.00
2025	185,000.00	84,365.00	31,439.03	35,197.97	336,002.00
2026	190,000.00	80,480.00	32,264.29	34,372.71	337,117.00
2027	195,000.00	76,300.00	33,111.24	33,525.76	337,937.00
2028	195,000.00	71,815.00	33,980.41	32,656.59	333,452.00
2029	205,000.00	65,965.00	34,872.40	31,764.60	337,602.00
2030	210,000.00	59,815.00	35,787.78	30,849.22	336,452.00
2031	215,000.00	53,515.00	36,727.22	29,909.78	335,152.00
2032	225,000.00	46,527.50	37,691.33	28,945.67	338,164.50
2033	230,000.00	39,215.00	38,680.70	27,956.30	335,852.00
2034	240,000.00	31,740.00	39,696.09	26,940.91	338,377.00
2035	245,000.00	23,940.00	40,738.10	25,898.90	335,577.00
2036	255,000.00	16,222.50	41,807.47	24,829.53	337,859.50
2037	260,000.00	8,190.00	42,904.92	23,732.08	334,827.00
2038			44,031.20	22,605.80	66,637.00
2039			45,187.01	21,449.99	66,637.00
2040			46,373.15	20,263.85	66,637.00
2041			47,590.46	19,046.54	66,637.00
2042			48,839.71	17,797.29	66,637.00
2043			50,121.74	16,515.26	66,637.00
2044			51,437.45	15,199.55	66,637.00
2045			52,787.66	13,849.34	66,637.00
2046			54,173.34	12,463.66	66,637.00
2047			55,595.38	11,041.62	66,637.00
2048			57,054.76	9,582.24	66,637.00
2049			58,552.47	8,084.53	66,637.00
2050			60,089.48	6,547.52	66,637.00
2051			61,666.83	4,970.17	66,637.00
2052			63,285.57	3,351.43	66,637.00
2053			64,387.79	1,690.18	66,077.97
	<u>\$ 3,030,000.00</u>	<u>\$ 746,055.00</u>	<u>\$ 1,371,509.84</u>	<u>\$ 627,041.13</u>	<u>\$ 5,774,605.97</u>

**CITY OF SPARTA, TENNESSEE
PROPERTY TAXES
Year ended June 30, 2023**

Tax rates and taxes assessed for the ten most current years were:

<u>Year</u>	<u>Tax Rate</u>	<u>Tax Assessed</u>
2022	\$0.9183	\$ 1,213,859
2021	\$0.9183	1,256,278
2020	\$0.9183	1,241,436
2019	\$1.05	1,190,309
2018	\$1.05	1,185,187
2017	\$1.05	1,150,783
2016	\$1.05	1,158,368
2015	\$1.05	1,260,616
2014	\$1.05	1,119,149
2013	\$1.05	1,110,686

A summary of changes in property taxes receivable during the year follows:

	<u>Balance at July 1</u>	<u>Assessment</u>	<u>Collections</u>	<u>Adjustments</u>	<u>Balance at June 30</u>
2022	\$ -	\$ 1,213,859.00	\$ 1,166,268.10	\$ (5,554.90)	\$ 42,036.00
2021	\$ 48,873.00	-	42,133.00	5,410.00	12,150.00
2020	15,102.04	-	13,699.81	(634.23)	768.00
2019	7,622.00	-	6,433.00	(53.00)	1,136.00
2018	1,525.00	-	1,024.00	(53.00)	448.00
2017	1,857.93	-	1,231.00	(349.93)	277.00
2016	262.00	-	233.00	-	29.00
2015	161.00	-	137.00	-	24.00
2014	-	-	-	-	-
2013	5.00	-	-	-	5.00
	<u>\$ 75,407.97</u>	<u>\$ 1,213,859.00</u>	<u>\$ 1,231,158.91</u>	<u>\$ (1,235.06)</u>	<u>\$ 56,873.00</u>
			Add 2023 assessed taxes		<u>1,282,846.00</u>
					<u>\$ 1,339,719.00</u>

All uncollected taxes for years prior to 2022 have been turned over to the Clerk and Master for collection.

2023 Taxes assessed	\$ 1,282,846.00
Estimated uncollectible taxes	<u>(6,414.23)</u>
DEFERRED PROPERTY TAX REVENUE	<u><u>\$ 1,276,431.77</u></u>

CITY OF SPARTA, TENNESSEE
SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND REVENUES
Year ended June 30, 2023

	General Fund	Special Revenue Funds
Taxes:		
Property taxes	\$ 1,224,403.51	\$ -
Interest and penalties on property taxes	17,775.91	-
In lieu of taxes - industry	30,094.23	-
Local option sales tax	3,471,483.56	-
Wholesale beer and liquor tax	402,053.54	-
Business tax	259,919.45	-
Cable TV franchise tax	52,009.39	-
TOTAL TAXES	\$ 5,457,739.59	\$ -
Licenses and permits:		
Beer & liquor licenses	\$ 2,885.00	\$ -
Building and related permits	27,865.83	-
TOTAL LICENSES OR PERMITS	\$ 30,750.83	\$ -
Intergovernmental revenue:		
TVA in lieu of taxes	\$ 60,471.73	\$ -
State sales tax	594,624.66	-
State income tax	99.52	-
State beer tax	2,282.17	-
State alcoholic beverage tax	14,023.96	-
State gasoline inspection fee	9,156.37	-
Salary supplement	14,400.00	-
Housing Authority in lieu of taxes	38,003.78	-
Corporate excise tax	90,415.30	-
STP traffic light grant	186,989.74	-
Historical grant	11,384.40	-
Other state grants	6,143.94	-
ARPA grant	197,738.47	-
State sports betting revenue	8,910.67	-
Telecommunications sales tax	12,636.22	-
State gasoline and motor fuel tax	-	89,059.52
State gasoline 1989	-	13,937.71
2017 Gas increases	-	44,894.62
State gasoline 3 cent	-	25,735.91
TOTAL INTERGOVERNMENTAL REVENUE	\$ 1,247,280.93	\$ 173,627.76

CITY OF SPARTA, TENNESSEE
SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND REVENUES (CONTINUED)
Year ended June 30, 2023

	General Fund	Special Revenue Funds
Charges for services:		
Special fire protection	\$ 17,273.00	\$ -
Civic Center and Park rental	23,175.00	-
Accident reports	890.00	-
Sanitation	-	622,436.01
Clerks fee - Business tax	28,256.03	-
TOTAL CHARGES FOR SERVICES	\$ 69,594.03	\$ 622,436.01
Fines and penalties	\$ 41,973.13	\$ 5,834.12
Interest	332,698.15	27,454.59
Contributions	6,210.00	14,825.00
Sale of land	350,000.00	-
Rent	11,350.00	-
Miscellaneous	46,322.51	17,933.49
TOTAL REVENUE	\$ 7,593,919.17	\$ 862,110.97

CITY OF SPARTA, TENNESSEE
SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND EXPENDITURES
Year ended June 30, 2023

	General Fund	Special Revenue Funds
BOARD OF ALDERMEN		
Salaries	\$ 150.00	\$ -
Per diem	6,900.00	-
Payroll taxes	544.73	-
Memberships and registration fees	192.92	-
Printing, stationary, etc.	420.00	-
Memberships and registration fees	241.37	-
Travel	1,743.00	-
	<u>\$ 10,192.02</u>	<u>-</u>
CITY COURT		
Salaries	\$ 28,728.91	\$ -
Payroll taxes	1,702.48	-
Retirement	3,349.94	-
Fees	3,524.28	-
Contractual services	5,625.00	-
Other	1,072.44	-
	<u>\$ 44,003.05</u>	<u>\$ -</u>
MAYOR		
Salaries	\$ 3,450.00	\$ -
Payroll taxes	469.20	-
Public relations	7,807.50	-
Travel and automobile allowance	2,076.47	-
Membership, registration fee	450.00	-
Other	1,972.32	-
	<u>\$ 16,225.49</u>	<u>\$ -</u>
BOARDS AND COMMISSIONS		
Per diem and travel	<u>\$ 1,120.00</u>	<u>\$ -</u>

CITY OF SPARTA, TENNESSEE
SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND
EXPENDITURES (CONTINUED)
Year ended June 30, 2023

	General Fund	Special Revenue Funds
CITY ADMINISTRATOR		
Salaries	\$ 32,754.44	\$ -
Payroll taxes	2,601.45	-
Retirement	4,173.74	-
Office supplies and materials	2,088.40	-
Travel and automobile allowance	1,585.93	-
Equipment rental	2,374.92	-
Other	1,980.32	-
	\$ 47,559.20	\$ -
FINANCIAL ADMINISTRATION		
Contractual services	\$ 23,718.67	\$ -
Computer equipment	184.00	-
	\$ 23,902.67	\$ -
CITY RECORDER		
Salaries	\$ 77,845.35	\$ -
Payroll taxes	5,945.87	-
Retirement	10,898.38	-
Other	1,789.61	-
	\$ 96,479.21	\$ -
CITY ATTORNEY		
Salaries	\$ 3,600.00	\$ -
Payroll taxes	275.40	-
Retirement	504.00	-
Legal services	6,800.00	-
	\$ 11,179.40	\$ -
GIS		
Salaries	\$ 5,314.84	\$ -
Payroll taxes	405.26	-
Retirement	744.09	-
Other	983.58	-
	\$ 7,447.77	\$ -

CITY OF SPARTA, TENNESSEE
SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND
EXPENDITURES (CONTINUED)
Year ended June 30, 2023

	General Fund	Special Revenue Funds
CITY HALL BUILDINGS		
Salaries	\$ 15,535.04	\$ -
Payroll taxes	1,188.31	-
Utilities	13,375.94	-
Repairs and maintenance	13,228.75	-
Janitorial and operating supplies	1,626.73	-
Contractual services	3,161.41	-
Small items of equipment	10,763.69	-
Other	343.00	-
	<u>\$ 59,222.87</u>	<u>\$ -</u>
 INDUSTRIAL PARK		
Electric	<u>\$ 564.75</u>	<u>\$ -</u>
 PUBLIC WORKS		
Salaries	\$ 23,721.42	\$ -
Payroll taxes	1,809.44	-
Retirement	3,321.02	-
Contracted services	345.02	-
Utilities	2,034.23	-
Uniforms	773.14	-
Vehicle expenses	2,341.38	-
Consumable tools	1,559.71	-
Other	9,195.72	-
	<u>\$ 45,101.08</u>	<u>\$ -</u>
 PLANNING		
Consultant fees	<u>\$ 15,561.44</u>	<u>\$ -</u>
 TRAFFIC CONTROL		
Utilities	<u>\$ 284,487.12</u>	<u>\$ -</u>

CITY OF SPARTA, TENNESSEE
SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND
EXPENDITURES (CONTINUED)
Year ended June 30, 2023

	General Fund	Special Revenue Funds
GENERAL GOVERNMENT		
Insurance	\$ 175,572.83	\$ -
Telephone	23,042.65	-
Contractual services	12,974.94	-
Auditing	8,000.00	-
Public relations	4,421.03	-
Postage	2,744.20	-
Printing and stationary	3,124.35	-
Publication of documents	3,251.72	-
Memberships and registration fees	1,987.46	-
Data processing services	2,271.45	-
Other	7,318.97	-
	<u>\$ 244,709.60</u>	<u>\$ -</u>
POLICE		
Salaries	\$ 906,461.96	\$ -
Payroll taxes	69,680.01	-
Retirement	127,437.63	-
Education and training	3,028.50	-
Utilities	8,627.45	-
Repairs and maintenance	13,295.75	-
Travel	5,404.22	-
Supplies	18,021.18	-
Uniforms	6,305.88	-
Fire arm supplies	6,661.66	-
Gasoline and oil	46,338.50	-
Vehicle repairs	4,787.43	-
Contractual services	10,641.81	-
Machinery and equipment	146,010.30	15,020.97
Public relations	3,053.82	-
Telephone	6,120.00	-
Drug investigations and control	-	15,022.35
Other	11,984.25	-
	<u>\$ 1,393,860.35</u>	<u>\$ 30,043.32</u>

CITY OF SPARTA, TENNESSEE
SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND
EXPENDITURES (CONTINUED)
Year ended June 30, 2023

	General Fund	Special Revenue Funds
	<u> </u>	<u> </u>
COMMUNICATIONS SERVICES		
White County 911 Emergency Communications District	\$ 88,954.00	\$ -
	<u> </u>	<u> </u>
FIRE PROTECTION		
Salaries	\$ 331,767.87	\$ -
Payroll taxes	25,370.77	-
Retirement	46,447.46	-
Volunteer firemen	13,496.94	-
Utilities	15,913.32	-
Repairs and maintenance	47,785.42	-
Supplies	23,671.05	-
Travel	3,245.65	-
Gasoline, oil and diesel fuel	9,760.21	-
Vehicle repairs	3,247.18	-
Uniforms	2,402.09	-
Machinery and equipment	23,528.76	-
Education and training	592.20	-
Insurance	15,184.00	-
Contractual services	20,366.85	-
Other	13,828.76	-
	<u> </u>	<u> </u>
	\$ 596,608.53	\$ -
	<u> </u>	<u> </u>
PROTECTIVE INSPECTION		
Salaries	\$ 65,084.87	\$ -
Payroll taxes	4,973.59	-
Retirement	9,111.83	-
Vehicle expense	726.70	-
Contract service	3,000.00	-
Other	2,849.02	-
	<u> </u>	<u> </u>
	\$ 85,746.01	\$ -
	<u> </u>	<u> </u>
STORM SIRENS		
Contracted services	\$ 5,375.00	\$ -
	<u> </u>	<u> </u>

CITY OF SPARTA, TENNESSEE
SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND
EXPENDITURES (CONTINUED)
Year ended June 30, 2023

	General Fund	Special Revenue Funds
	<u> </u>	<u> </u>
RESCUE SQUAD		
Donation	\$ 3,800.00	\$ -
	<u> </u>	<u> </u>
HIGHWAYS AND STREETS		
Salaries	\$ 451,115.39	\$ -
Payroll taxes	34,377.10	-
Retirement	61,409.45	-
Contracted services	1,924.14	-
Utilities	7,690.95	-
Repairs and maintenance	14,758.07	-
Gas, oil and diesel fuel	32,145.14	-
Vehicle repair	26,540.35	-
Supplies	21,298.10	-
Uniforms	5,398.71	-
Culverts, stone, salt and asphalt	19,570.33	-
Sealing and striping	25.77	-
Machinery and equipment	54,310.39	-
Improvements other than buildings	15,712.36	-
Street lights	-	161,480.73
Other	465.50	-
	<u> </u>	<u> </u>
	\$ 746,741.75	\$ 161,480.73
	<u> </u>	<u> </u>
SANITATION		
Salaries	\$ -	\$ 264,930.16
Payroll taxes	-	20,436.59
Retirement	-	37,091.79
Utilities	-	5,576.88
Supplies	-	8,284.53
Gas, oil and diesel fuel	-	73,569.13
Vehicle repairs and maintenance	-	86,453.42
Repairs and maintenance	-	55,668.81
Fees	-	1,500.00
Employee insurance	-	46,485.37
Uniforms	-	2,609.62
Machinery and equipment	-	208,783.74
Other	-	4,207.96
	<u> </u>	<u> </u>
	\$ -	\$ 815,598.00
	<u> </u>	<u> </u>

CITY OF SPARTA, TENNESSEE
SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND
EXPENDITURES (CONTINUED)
Year ended June 30, 2023

	General Fund	Special Revenue Funds
ANIMAL CONTROL		
Salaries	\$ 34,688.65	\$ -
Payroll taxes	2,653.65	-
Retirement	4,856.46	-
Utilities	3,100.67	-
Repairs and maintenance	215.78	-
Vehicle expense	2,931.92	-
Equipment transport	42,883.00	-
Other	1,631.74	-
	<u>\$ 92,961.87</u>	<u>\$ -</u>
DIRECT ASSISTANCE		
White County Chamber of Commerce	\$ 30,000.00	\$ -
Pacesetters	8,000.00	-
White County Schools	435,000.00	-
White County Library	6,000.00	-
White County Senior Citizens Center	11,095.86	-
Sparta YMCA	5,000.00	-
Motlow College	2,500.00	-
Imagination library	5,274.74	-
Others	2,000.00	-
	<u>\$ 504,870.60</u>	<u>\$ -</u>
CIVIC CENTER		
Utilities	\$ 8,492.87	\$ -
Contracted services	9,641.60	-
Repairs and maintenance	5,721.89	-
Supplies	1,865.26	-
Gas, oil and diesel	2,638.85	-
Other	4,546.31	-
	<u>\$ 32,906.78</u>	<u>\$ -</u>
LITTLE LEAGUE BALL PARKS		
Utilities	\$ 9,215.23	\$ -

CITY OF SPARTA, TENNESSEE
SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND
EXPENDITURES (CONTINUED)
Year ended June 30, 2023

	General Fund	Special Revenue Funds
OLDHAM'S THEATER		
Utilities	\$ 5,931.57	\$ -
Repairs and maintenance	850.00	-
Contract services	2,641.00	-
Supplies	1,367.54	-
	<u>\$ 10,790.11</u>	<u>\$ -</u>
SWIMMING POOL		
Contractual services	\$ 1,121.72	\$ -
Utilities	37,344.24	-
Repairs and maintenance	1,093.28	-
Supplies	4,842.39	-
	<u>\$ 44,401.63</u>	<u>\$ -</u>
LIBERTY SQUARE		
Public relations	\$ -	\$ 33,864.20
	<u>\$ -</u>	<u>\$ 33,864.20</u>
SOCKHOP/		
Contracted services	\$ 2,378.67	\$ -
	<u>\$ 2,378.67</u>	<u>\$ -</u>
AMPHITHEATER CONCERTS		
Contracted services	\$ 11,400.00	\$ -
Other	5,464.03	-
	<u>\$ 16,864.03</u>	<u>\$ -</u>
ECONOMIC DEVELOPMENT		
Highland Initiative	\$ -	\$ 10,000.00
Engineering fees	1,729.00	-
	<u>\$ 1,729.00</u>	<u>\$ 10,000.00</u>
MUNICIPAL AIRPORT		
Contributions to Upper Cumberland Regional Airport - Joint Venture	\$ 35,000.00	\$ -
	<u>\$ 35,000.00</u>	<u>\$ -</u>
HISTORICAL BOARD		
Contractual services	\$ 3,474.00	\$ -
	<u>\$ 3,474.00</u>	<u>\$ -</u>

CITY OF SPARTA, TENNESSEE
SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND
EXPENDITURES (CONTINUED)
Year ended June 30, 2023

	General Fund	Special Revenue Funds
PARKS		
Landscaping	\$ 4,704.00	\$ -
Utilities	21,089.35	-
Repairs and maintenance	10,939.48	-
Sign parts and supplies	350.00	-
Buildings	34,002.56	-
Park Benches	125,911.00	-
Supplies	17,663.13	-
	<u>\$ 214,659.52</u>	<u>\$ -</u>
INSURANCE		
Employees health insurance	<u>\$ 336,975.62</u>	<u>\$ -</u>
SENIOR CITIZENS		
Building repairs	<u>\$ 31,154.82</u>	<u>\$ -</u>
OLD BAKER SCHOOL		
Utilities	<u>\$ 1,397.06</u>	<u>\$ -</u>
GENERAL ELECTION		
Publication of formal & legal	<u>\$ 747.00</u>	<u>\$ -</u>
WEED AND MOSQUITOE CONTROL		
Operating supplies	<u>\$ 24.71</u>	<u>\$ -</u>
DEBT SERVICE		
Principal	\$ 5,200.37	\$ -
Interest	1,373.63	-
	<u>\$ 6,574.00</u>	<u>\$ -</u>
TOTAL EXPENDITURES	<u>\$ 5,174,965.96</u>	<u>\$ 1,050,986.25</u>

**CITY OF SPARTA, TENNESSEE
SCHEDULE OF UTILITY RATES
SPARTA ELECTRIC SYSTEM
June 30, 2023**

RESIDENTIAL RATE - SCHEDULE RS

Customer charge \$ 21.50 per month less \$1.60 Hydro allocation credit
Energy charge All kWh per month at 0.09807 per kWh

GENERAL POWER RATE - SCHEDULE GSA

PART 1.

Customer charge 1 \$ 22.32 per delivery point per month (< 500 kWh)
Customer charge 2 \$ 40.00 per delivery point per month (> 500 kWh)
Energy charge All kWh per month at 0.11253 per kWh

PART 2. (< 1,000 kWh)

Customer charge \$ 135.00 per delivery point per month
Demand charge First 50 kW of billing demand per month, at \$6.00 per kWh
 Excess over 50 kW of billing demand per month, at \$12.69 per kWh
Energy charge All 15,000 kWh per month at 0.09014 per kWh
 Additional kWh per month at 0.06661 per kWh

PART 3. (1,000 - 5,000 kW)

Customer charge \$ 570.00 per delivery point per month
Demand charge First 1,000 kW of billing demand per month, at \$13.10 per kW
 Excess over 1,000 kW of billing demand per month, at \$15.47 per kW
Energy charge All kWh per month at 0.07029 per kWh

OUTDOOR LIGHTING RATE - SCHEDULE LS

Energy charge 0.07857 per kWh

There were 3,075 electric customers billed for June, 2023.

**CITY OF SPARTA, TENNESSEE
SCHEDULE OF UTILITY RATES
SPARTA WATER AND SEWER SYSTEM
June 30, 2023**

Residential Rates - Inside City

First 2,000 gallons of water	\$18.54 minimum
Next 8,000 gallons of water	@ \$4.56 per thousand gallons
All over 10,000 gallons of water	@ \$2.86 per thousand gallons

Residential Rates - Outside City

First 2,000 gallons of water	\$27.82 minimum
Next 8,000 gallons of water	@ \$6.82 per thousand gallons
All over 10,000 gallons of water	@ \$4.30 per thousand gallons

Commercial Rates - Inside City

First 2,000 gallons of water	\$23.18 minimum
Next 8,000 gallons of water	@ \$5.69 per thousand gallons
All over 10,000 gallons of water	@ \$3.58 per thousand gallons

Commercial Rates - Outside City

First 2,000 gallons of water	\$34.78 minimum
Next 8,000 gallons of water	@ \$8.55 per thousand gallons
All over 10,000 gallons of water	@ \$5.38 per thousand gallons

Industrial Rates

First 2,000 gallons of water	\$23.18 minimum
Next 8,000 gallons of water	@ \$5.69 per thousand gallons
All over 10,000 gallons of water	@ \$3.58 per thousand gallons

Utility District Rates

\$2.54 per thousand gallons

Sewer charge, where applicable, is 130% of the water bill.

There were 3,428 water customers and 2,038 sewer customers billed for June 2023.

**CITY OF SPARTA, TENNESSEE
INSURANCE IN FORCE
June 30, 2023**

	<u>Amounts of Insurance</u>	<u>Expiration Date</u>
<u>City General</u>		
<u>General Liability and Personal Injury:</u>		
Bodily injury and personal injury		
per person	\$ 300,000	April 8, 2024
per occurrence	700,000	April 8, 2024
Other losses -per occurrence	1,000,000	April 8, 2024
Property damage - per occurrence	100,000	April 8, 2024
Fire damage - per occurrence	100,000	April 8, 2024
Impounded property -per occurrence	100,000	April 8, 2024
Medical payments - per occurrence	10,000	April 8, 2024
 <u>Blanket Honesty:</u>		
City judge	10,000	February 4, 2024
City recorder	20,000	April 8, 2024
<u>Workmen's Compensation:</u>	Statutory	June 30, 2024
<u>Collision on Fire Trucks</u>	Limits in Policy	April 8, 2024
<u>Fire, Extended Coverage and Vandalism:</u>	90% co-insurance	
Buildings and contents	11,023,710	June 30, 2024
<u>Automobile Liability:</u>		
Fleet insurance	Limits detailed	April 8, 2024
Uninsured	in policy	
<u>Municipal Liability:</u>		
Public officials personal errors and omissions liability	1,000,000	June 30, 2024
 <u>Sparta Electric System and Sparta Water and Sewer System</u>		
<u>General Liability:</u>		
Bodily injury and property damage	750,000	January 1, 2024
Excess public liability -catastrophes	2,250,000	
<u>Automobile Liability:</u>		
Liability	1,000,000	January 1, 2024
Medical	2,000	
Uninsured motorist	300,000	
<u>Workmen's Compensation</u>	Statutory	January 1, 2024
<u>Fire Insurance:</u>		
Building and contents	1,500,000	January 1, 2024
Water plant	26,616,642	
Transformers	1,600,000	

**CITY OF SPARTA, TENNESSEE
INSURANCE IN FORCE (CONT'D)
June 30, 2023**

<u>Money and Securities</u>	500,000	January 1, 2024
<u>Public Officials and Errors and Omissions</u>	1,000,000	January 1, 2024
<u>Equipment Float</u>	1,479,747	January 1, 2024
<u>Employee Honesty Bond</u>	500,000	January 1, 2024
<u>Premises Pollution Liability</u>		
Per pollution condition	750,000	June 30, 2024
Aggregate	33,500,000	

COMPLIANCE

ALBERT R. DICUS

Certified Public Accountant

Member: AICPA; TSCPA

131 S. Main Street

P.O. Box 176

Sparta, Tennessee 38583

931.836.2205 Phone

931.836.3529 Fax

buddy@buddydicuscpa.com Email

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

Mayor and Board of Aldermen

City of Sparta, Tennessee

Sparta, Tennessee

I 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 the aggregate remaining fund information of City of Sparta, 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 Sparta's basic financial statements and have issued my report thereon dated August 26, 2024.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Sparta'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 my opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Sparta's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Sparta, Tennessee's internal control.

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

Mayor and Board of Aldermen
City of Sparta, Tennessee
Sparta, Tennessee
Page Two

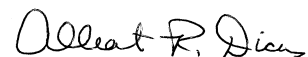
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during my audit, I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Sparta, Tennessee's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and recommendations as Item 2023-001.

Purpose of this Report

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



Certified Public Accountant

Sparta, Tennessee
August 26, 2024

CITY OF SPARTA, TENNESSEE
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2023

A: SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the City of Sparta, Tennessee.
2. No significant deficiencies were disclosed during the audit of the financial statements that are reported in the "Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
3. One instance of noncompliance that is required to be reported under *Government Auditing Standards* was disclosed during the audit.

B: FINDINGS

Item 2023-001: Expenditures in excess of the budget (Compliance)

Criteria or Specific Requirement: The City is required by law to adopt and follow a budget each fiscal year. Budgets may be amended by the Board as needed.

Condition: A \$250,000.00 transfer from the general fund to the solid waste fund was not budgeted for in the general fund.

Cause and Effect: The transfer was not included in the budget amendments approved by the Board.

Recommendation: Budgets should be closely monitored and amended as necessary.

Management's Response: We concur with the auditor's recommendation.



CITY OF SPARTA
6 Liberty Square
P.O. Box 30
Sparta, Tennessee 38583
931.836.3248
931.836.3941 fax
www.spartatn.com

MANAGEMENT'S CORRECTIVE ACTION PLAN

The City of Sparta submits the following corrective action plan for the year ended June 30, 2023. The findings from the June 30, 2023, schedule of findings and recommendations is discussed below.

Item 2023-001: Expenditures in excess of the budget

Contact person: Tonya Tindle, City Administrator

Recommendation: The budgets should be monitored and amended as necessary.

Management's response: We will monitor our budgeting process more closely in the future.

Anticipated completion date: Immediately

Tonya Tindle



**CITY OF SPARTA, TENNESSEE
 SCHEDULE OF PRIOR YEAR FINDINGS
 June 30, 2023**

Prior Year Finding Number	Finding Title	Status/ Current Year Finding Number
2022-001	Unapproved legal fees (Original finding 2022-001)	Corrected
2022-002	Spending in excess of budget (Original finding 2022-002)	Repeated