

PERSIA UTILITY DISTRICT

Financial Statements
With Supplementary Information

June 30, 2023

PERSIA UTILITY DISTRICT
Financial Statements with Supplementary Information
June 30, 2023

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PERSIA UTILITY DISTRICT
Roster of Officials and Commissioners (Unaudited)
Year Ended June 30, 2023

Officials

Randy Calton General Manager

Commissioners

Gordell Ely	President
Shane Smith	Vice-President
Larry Price	Secretary/Treasurer
Hiram Newton	Commissioner
George Henry	Commissioner



Independent Auditors' Report

Board of Commissioners
Persia Utility District
Rogersville, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Persia Utility District (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying

accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of operating revenues and operating expenses, schedule of certificates of deposit, schedule of bond principal & interest requirements, schedule of changes in long-term debt by individual issues and schedules of customer rate data and insurance coverage are fairly stated in all material respects in relation to the basic financial statements as a whole.

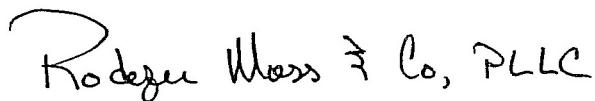
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the roster of official and commissioners (unaudited) but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rodger Moss & Co, PLLC". The signature is fluid and cursive, with "Rodger" and "Moss" on the first line, and "& Co, PLLC" on the second line.

Johnson City, Tennessee
October 20, 2023

PERSIA UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2023

Management's discussion and analysis is intended to be an easily readable analysis of Persia Utility District's (the "District") financial performance for the year ended June 30, 2023 and 2022. This management's discussion and analysis should be read in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The District ended the year June 30, 2023, with a total net position balance of \$3,911,510 of which \$765,613 represented the amount of net investment in capital assets, \$32,969 in restricted net position and \$3,112,928 of unrestricted net position. This amount is a decrease of \$60,680 from the prior period total net position balance.
- The District ended the year of June 30, 2023, with a cash balance of \$1,558,421 of which \$1,558,421 is available for the District's general use. The Statement of Cash Flows identifies the sources and uses of cash for the year ended June 30, 2023. The cash decrease of \$1,046,830 from the prior period resulted primarily from investments.
- Metered water sales revenue increased by \$64,179 at June 30, 2023 from June 30, 2022, which is primarily the result of an increase in number of customers the district serves and an increase in price per gallon.
- Operating expenses for 2023 increased by 22.28% from the year then ended 2022. The increase is the result of moderate changes in multiple line item operating expenses.

Overview of Financial Statements

This report includes Management's Discussion and Analysis, the Independent Auditors' Report, the Basic Financial Statements, Notes to Financial Statements, Required Supplementary Information, Other Supplementary Information, and the 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*. The Basic Financial Statements are accompanied by notes to financial statements which provide additional detail of some of the information included in the Basic Financial Statements. Readers are encouraged to read the notes to the Basic Financial Statements to better understand the financial statements.

The Basic Financial Statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. The District is operated under one enterprise fund. Under this method of accounting, an economic resources measurement focus and the accrual basis of accounting is used. The accrual method of accounting records revenue when earned and expenses when incurred. The Basic Financial Statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

Required Financial Statements

Statement of Net Position

The statement of net position presents information on the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between those items being reported as net position, and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing its' liquidity and financial flexibility. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenue, expenses and changes in net position reports all of the operating revenues and expenses and nonoperating revenues and expenses of the District for the period to which it relates, with the difference being the change in net position for that period. The change combined with the net position at the end of the previous year total to the net position at the end of that period.

PERSIA UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)(Continued)

Statement of Cash Flows

The statement of cash flows reports cash and cash equivalent activities for the period resulting from operating activities, capital and related financing activities, noncapital and related financing activities and investing activities. The net result of these activities added to the beginning of the period cash balance total to the cash and cash equivalents balance at the end of that period. This statement allows the reader to understand where cash came from, what it was used for, and the change in the cash balance during the reporting period.

Financial Analysis of the District

The District, located in Hawkins County, Tennessee, served 2,004 customers as of June 30, 2023. The majority of the District's customers are residential homeowners. The condensed Statements of Net Position reports the net position of the District and the changes. Over time, increases or decreases in the District's net assets are one indicator of the financial health of the District. However, nonfinancial factors such as changes in economic conditions, population growth, and new or changed government legislation must also be considered.

Condensed Statements of Net Position

As can be seen from the statements below, the 2023 net position decreased \$60,680 over the prior period due to 2023 operations. The District's capital assets (net of accumulated depreciation) amount to \$1,724,113 at June 30, 2023. The investment in capital assets includes land, buildings, equipment and water distribution systems and treatment plant. The District has bond debt outstanding at June 30, 2023, of \$958,500. At June 30, 2023, there were no commitments to purchase capital assets or acquire long-term indebtedness.

	<u>2023</u>	<u>2022</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Unrestricted current assets	\$ 2,983,542	\$ 3,052,769	\$ (69,227)	-2.3%
Restricted current assets	2,928	4,778	(1,850)	-38.7%
Noncurrent assets	1,754,604	1,973,649	(219,045)	-11.1%
Deferred outflow of resources - pension	<u>255,603</u>	<u>221,254</u>	<u>34,349</u>	15.5%
Total assets and deferred outflows	<u>\$ 4,996,677</u>	<u>\$ 5,252,450</u>	<u>\$ (255,773)</u>	<u>-4.9%</u>
 Bonds payable within one year	 \$ 76,952	 \$ 76,852	 \$ 100	 0.1%
Current liabilities	93,732	83,361	10,371	12.4%
Bonds payable after one year	881,548	957,329	(75,781)	-7.9%
Deferred inflow of resources - pension	<u>32,935</u>	<u>162,718</u>	<u>(129,783)</u>	-79.8%
Total liabilities and deferred inflows	<u>\$ 1,085,167</u>	<u>\$ 1,280,260</u>	<u>\$ (195,093)</u>	<u>-15.2%</u>
 Net investment in capital assets	 \$ 765,613	 \$ 786,688	 \$ (21,075)	 -2.7%
Restricted	32,969	155,258	(122,289)	-78.8%
Unrestricted	<u>3,112,928</u>	<u>3,030,244</u>	<u>82,684</u>	2.7%
Total net position	<u>\$ 3,911,510</u>	<u>\$ 3,972,190</u>	<u>\$ (60,680)</u>	<u>-1.5%</u>

PERSIA UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)(Continued)

Results of Operations

Loss before capital contributions amounted to \$(52,756), and capital distributions amounted to \$(7,924). The net decrease for the period ended June 30, 2022, amounted to \$154,432. The District's largest expenses are labor, depreciation, repairs and maintenance and purchased water. Depreciation is a large expense due to the significant investment in capital assets.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating revenues	\$ 1,282,133	\$ 1,227,648	\$ 54,485	4.4%
Nonoperating revenues	<u>4,049</u>	<u>1,768</u>	<u>2,281</u>	<u>129.0%</u>
Total revenues	<u>1,286,182</u>	<u>1,229,416</u>	<u>56,766</u>	<u>4.6%</u>
Depreciation expense	148,963	148,801	162	0.1%
Other operating expenses	1,157,318	946,389	210,929	22.3%
Nonoperating	<u>32,657</u>	<u>32,550</u>	<u>107</u>	<u>0.3%</u>
Total expenses	<u>1,338,938</u>	<u>1,127,740</u>	<u>211,198</u>	<u>18.7%</u>
Income before capital contributions	(52,756)	101,676	(154,432)	-152%
Capital contributions (distributions)	<u>(7,924)</u>	<u>2,083</u>	<u>(10,007)</u>	<u>-480%</u>
Changes in net position	(60,680)	103,759	(164,439)	-158.5%
Beginning net position	<u>3,972,190</u>	<u>3,868,431</u>	<u>103,759</u>	<u>2.7%</u>
Ending net position	<u>\$ 3,911,510</u>	<u>\$ 3,972,190</u>	<u>\$ (60,680)</u>	<u>-1.5%</u>

Economic Factors that Could Affect Future

The District's principal source of revenue is from the sale of water and related services to customers within its boundaries. The District's customer base is primarily residential and small business. The District sets rates that it feels are adequate to produce revenues that are sufficient to cover operating expenses and debt service from year to year. The main risk in the future depends on the economy. If a severe recession was to impact the area, it may become difficult for some customers to pay, resulting in higher write offs.

Additional Information

This financial report is designed to provide the District's customers, investors and other interested parties with an overview of the District's financial position and financial operations. Questions concerning any information within this report may be directed to the General Manager, Randy Calton, of the District at 206 Highway 70, Rogersville, TN 37857.

PERSIA UTILITY DISTRICT

Statement of Net Position

June 30, 2023

ASSETS

Current Assets		
Cash	\$ 1,558,421	
Investments	1,168,544	
Investments - restricted to debt service	2,928	
Accounts receivable, net	120,327	
Interest receivable	1,711	
Prepaid expenses	<u>134,539</u>	
Total current assets	\$ 2,986,470	
Capital assets, net		1,724,113
Other Assets		
Net pension asset	30,041	
Utility deposits	<u>450</u>	
Total other assets	<u>30,491</u>	
Total assets	\$ <u>4,741,074</u>	

DEFERRED OUTFLOW OF RESOURCES

Pension-related outflows	\$ <u>255,603</u>
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LIABILITIES AND NET POSITION

Current Liabilities		
Bonds payable, within one year	\$ 76,952	
Accounts payable	32,699	
Accrued payroll and compensated absences	49,258	
Other accrued expenses	<u>11,775</u>	
Total current liabilities	\$ 170,684	
Long-term Liabilities		
Bonds payable, after one year	<u>881,548</u>	
Total liabilities	\$ <u>1,052,232</u>	

DEFERRED INFLOWS OF RESOURCES

Pension-related inflows	\$ <u>32,935</u>
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NET POSITION

Net investment in capital assets	\$ 765,613	
Restricted for debt service	2,928	
Restricted for pension asset	30,041	
Unrestricted	<u>3,112,928</u>	
Total net position	\$ <u>3,911,510</u>	

PERSIA UTILITY DISTRICT
 Statement of Revenues, Expenses and Changes in Net Position
 For the Year Ended June 30, 2023

Operating revenues, net	\$ 1,282,133
Operating expenses	<u>1,157,318</u>
Operating income before depreciation	\$ 124,815
Depreciation	<u>148,963</u>
Operating income	(24,148)
Nonoperating Income (Expenses)	
Interest income	4,049
Interest expense	<u>(32,657)</u>
Total nonoperating expenses	<u>(28,608)</u>
Income before capital contributions	(52,756)
Capital distributions	<u>(7,924)</u>
Change in net position	(60,680)
Net position, July 1	<u>3,972,190</u>
Net position, June 30	<u>\$ 3,911,510</u>

PERSIA UTILITY DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2023

Cash Flows From Operating Activities

Receipts from customers	\$ 1,290,397
Payments to suppliers for goods and services	(62,271)
Payments to employees for services	<u>(1,110,337)</u>
Net cash flows from operating activities	\$ 117,789

Cash Flows From Capital and Related Financing Activities

Reduction in aid of construction	(7,924)
Purchase of capital assets	(52,207)
Interest expense	(32,734)
Payments on long term debt	<u>(75,681)</u>
Net cash flows from capital and related financing activities	(168,546)

Cash Flows From Capital and Related Financing Activities

Investment in certificate of deposit	(1,000,123)
Interest income	<u>4,050</u>
Net change in cash and cash equivalents	(1,046,830)
Cash and cash equivalents, July 1	<u>2,605,251</u>
Cash and cash equivalents, June 30	<u>\$ 1,558,421</u>

Reconciliation of operating income to net cash flows from operating activities

Operating income	\$ (24,148)
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation	148,963
Provision for doubtful accounts	6,758
(Increase) decrease in:	
Accounts receivable	1,399
Prepaid insurance	16,212
Net pension asset	122,289
Pension-related outflows	(34,349)
(Decrease) increase in:	
Accounts payable	2,546
Accrued payroll and compensated absences	7,902
Pension-related inflows	<u>(129,783)</u>
Net cash flows from operating activities	<u>\$ 117,789</u>

PERSIA UTILITY DISTRICT
Notes to Financial Statements
June 30, 2023

NOTE 1 - DESCRIPTION OF ORGANIZATION

Reporting Entity - Persia Utility District (the "District") was incorporated under the utility district laws of the State of Tennessee in 1973 to provide water utility services for the communities of Persia and St. Clair, Tennessee and customers in a portion of Rogersville, Tennessee and rural areas south of Rogersville.

The District is engaged in the distribution and sale of water and in 2002 the District constructed a new water filtration plant to provide its own supply. However, as needed, the District purchases water from the City of Rogersville and Russellville - Whitesburg Utility District.

The District is a fiscally independent operating entity under authority of a five member Board of Commissioners ("the Board") and is a reporting entity having sole responsibility for fiscal matters including debt management, revenues, rates, budgets and control of surpluses and deficits without requiring approval by a primary government. The District's operations alone constitute the reporting entity since the Board is not financially accountable for any other entities and the District has no relationships with any other entities where the nature and significance of the relationships would require inclusion in the financial statements of the District. Operating revenues are based on rates approved by the Board of Commissioners. No other Board or Commission has jurisdiction over the District in the management and control of its operations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accounts of the District are on an enterprise fund basis. An enterprise fund is a proprietary type fund used to account for operations 1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or 2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District has implemented Governmental Accounting Standards Board Statement No. 62, *"Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA pronouncements."*

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

The accompanying financial statements are reported using the "economic resources measurement focus", and the "accrual basis of accounting". Accordingly, all assets, deferred outflows of resources (whether current or noncurrent), liabilities, and deferred inflows of resources (whether current or noncurrent) are included in the statement of net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

Budgets and Budgetary Accounting - Formal budgetary integration is employed by the District as a management control device during the year. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

PERSIA UTILITY DISTRICT
Notes to Financial Statements (Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets - Capital assets are carried at cost. Capital assets are depreciated over their estimated useful lives using the straight-line method of depreciation. The District utilizes a capitalization threshold of greater than \$1,000 in determining which assets are added to the capital asset accounts. Significant renewals and betterments are capitalized. The cost of maintenance and repairs is charged to expense as incurred.

Cash and Cash Equivalents - The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments - Investments are presented in the financial statements at aggregate fair value. Investments purchased are recorded at cost. Fair value is based on quoted market prices, if available, or is estimated using quoted market prices for similar investments. The calculation of realized gains or losses is independent of the calculation of the net change in the fair value of investments. Realized gains or losses on investments held in more than one fiscal year and sold in the current year are included as a net change in the fair value of investments reported in prior years and the current year.

Restricted Assets - Certain proceeds of the District's revenue bonds, as well as certain resources set aside for their repayment, and their use is limited by applicable bond covenants, are classified as restricted assets on the Statement of Net Position.

Accounts Receivable - Accounts receivable are shown net of an allowance for uncollectible accounts. Receivables that are determined to be uncollectible are based on knowledge of collection history for similar customers. The District grants credit to residential, business and industrial customers, substantially all of whom are local to the Hawkins County, Tennessee area.

Compensated Absences - The cost of vacation pay and sick leave benefits are recognized as earned by employees. In the event of termination or retirement, an employee is reimbursed for accumulated vacation days up to the equivalent of 5 days of vacation and 30 days of sick leave, or may have the accumulated sick leave applied to their retirement time.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Persia Utility District's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Persia Utility District'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.

Revenue and Expenses - The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with ongoing operations. The principal operating revenues of the District are charges to customers for sales and services and is shown net of bad debt expense. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The District records revenue as billed to its customers based on a monthly meter reading cycle. The District's policy is to expend unrestricted funds before using restricted funds to pay for operational expenses and debt.

Tap Fees - Fees charged to join an existing line or extensions of an existing line are recorded as operating income and the related costs are capitalized.

Leases - The District accounts for leases under GASB Statement No. 87 - *Leases*. The primary objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

PERSIA UTILITY DISTRICT
Notes to Financial Statements (Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued) - It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. There was no impact on the current financial statements from the implementation of this Statement. The District monitors changes in circumstances that would require a remeasurement of its lease liability, and will remeasure the lease liability and deferred outflows of resources if certain changes occur that are expected to significantly affect the amount of the lease liability.

Impact of Recently Issued Accounting Pronouncements - In May 2020, the GASB issued Statement No. 96 - *Subscription-Based Information Technology Arrangements (SBITAs)*, effective for financial statements for periods beginning after June 15, 2022. The primary objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for SBITAs by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain subscription assets and subscription liabilities. There was no impact on the current financial statements from the implementation of this Statement.

Date of Management's Review - The District has evaluated events and transactions occurring subsequent to the Statement of Net Position date for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through the date of the independent auditors' report, which is the date these financial statements were available to be issued.

NOTE 3 - CASH

Cash in financial institutions consisted of the following at June 30, 2023:

	Bank balance	Book balance
Cash in financial institutions	<u>\$ 1,553,488</u>	<u>\$ 1,557,475</u>

The District's bank deposits are maintained in banks participating in the Tennessee Collateral Pool for Public Deposits and, consequently, are fully insured.

NOTE 4 - INVESTMENTS

Statutes authorize the District to invest in bonds, notes, or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, state pooled investment fund, and money market mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. The District's board of officials and commissioners has decided to limit investing monies to insured certificates of deposit issued by commercial banks.

As of June 30, 2023, the District had the following investments and maturities:

Investment Type	Investment Maturities (In Years)	
	1 year or less	Over 1 year
Certificates of Deposit	\$ 1,171,471	\$ -

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increasing interest rates.

PERSIA UTILITY DISTRICT
Notes to Financial Statements (Continued)

NOTE 4 - INVESTMENTS (Continued)

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Securities are rated using the Standard and Poor's rating scale. The District has no investment policy limiting its investment choices based on ratings issued by nationally recognized statistical rating organizations. At June 30, 2023, the District had no uninsured and unregistered investments for which the securities are held by the counterpart, or by its trust department or agent, but not in the institution's name.

At June 30, 2023, the District's investments were unrated.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District places no limit on the amount it may invest in any one issuer.

Fair Value Measurement - The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The District's recurring investments consisted of Certificates of Deposit in the amount of \$1,171,471 measured at fair value as of June 30, 2023.

NOTE 5 - CAPITAL ASSETS

Capital assets annual depreciation rates consisted of the following:

	<u>Annual Rates</u>
General property and equipment	
Buildings and paving	2.5 to 10%
Office equipment	5 to 20%
Water treatment plant, property and equipment	
Distribution system	2.5 to 10%
Water filtration system	2.5 to 10%
Storage shed and fencing	2.5 to 10%
Transportation equipment	2.5 to 10%
Construction equipment	5 to 20%

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

	<u>Cost</u>			
	Balance July 1, 2022	Additions	Disposals	Balance June 30, 2023
Land	\$ 59,988	\$ 19,583	\$ -	\$ 79,571
Office building and pavement	97,249	-	-	97,249
Office equipment	83,687	-	-	83,687
Distribution system	2,967,045	32,624	-	2,999,669
Water filtration system	1,998,396	-	-	1,998,396
Storage shed and fencing	24,784	-	-	24,784
Transportation equipment	99,191	-	-	99,191
Construction equipment	171,243	-	-	171,243
Total	\$ 5,501,583	\$ 52,207	\$ -	\$ 5,553,790

PERSIA UTILITY DISTRICT
 Notes to Financial Statements (Continued)

NOTE 5 - CAPITAL ASSETS (Continued)

	Accumulated Depreciation			
	Balance July 1, 2022	Depreciation	Disposals	Balance June 30, 2023
Office building and pavement	\$ 61,211	\$ 2,246	\$ -	\$ 63,457
Office equipment	63,410	812	-	64,222
Distribution system	2,002,624	93,508	-	2,096,132
Water filtration system	1,319,217	42,475	-	1,361,692
Storage shed and fencing	16,847	536	-	17,383
Transportation equipment	50,639	8,555	-	59,194
Construction equipment	<u>166,766</u>	<u>831</u>	<u>-</u>	<u>167,597</u>
Total	<u>\$ 3,680,714</u>	<u>\$ 148,963</u>	<u>\$ -</u>	<u>\$ 3,829,677</u>

NOTE 6 - BONDS PAYABLE

All of the District's long-term borrowings are direct placement. As of June 30, 2023, the District had long-term direct placement debt from business type activities with a balance of \$958,500.

The District's waterworks revenue bonded indebtedness at June 30, 2023, is as follows:

Date Issued	Interest Rate	Repayment Period	Balance
10-15-2014	3.00%	10 years	\$ 150,000
10-15-2014	3.00%	14 years	325,000
10-15-2014	3.25%	20 years	465,000
07-30-1993	5.25%	38 years	<u>18,500</u>
		Total	958,500
		Less amounts due within one year	<u>76,952</u>
			<u><u>\$ 881,548</u></u>

PERSIA UTILITY DISTRICT
Notes to Financial Statements (Continued)

NOTE 6 - BONDS PAYABLE (Continued)

Debt service requirements on long-term debt at June 30, 2023, are as follows:

Year	Principal	Interest	Total
2024	\$ 76,952	\$ 30,339	\$ 107,291
2025	77,057	27,985	105,042
2026	82,167	25,654	107,821
2027	82,284	23,107	105,391
2028	82,407	20,585	102,992
2029	87,536	18,055	105,591
2030	87,672	15,369	103,041
2031	82,425	12,462	94,887
2032	70,000	9,755	79,755
2033	75,000	7,475	82,475
2034	75,000	5,038	80,038
2035	<u>80,000</u>	<u>2,592</u>	<u>82,592</u>
	<u><u>\$ 958,500</u></u>	<u><u>\$ 198,416</u></u>	<u><u>\$ 1,156,916</u></u>

Changes in long-term obligations for the year ended June 30, 2023, are as follows:

	Balance 6/30/2022	New Issues	Retired	Balance 6/30/2023	Due within one year
Notes from direct borrowings	<u>\$ 1,034,181</u>	<u>\$ -</u>	<u>\$ 75,681</u>	<u>\$ 958,500</u>	<u>\$ 76,952</u>

The interest rate on the special revenue bonds payable to USDA Rural Development is 5.25%. The 2014 series, payable to Regions Bank, carries interest rates ranging from 2.00% to 2.25%. The indebtedness and interest thereon are payable solely from the revenues of the District. Statutory mortgage liens exist for the entire indebtedness covering all the waterworks properties of every nature including system extensions and improvements.

At June 30, 2023, the District had \$24,446 in its bond debt service fund to meet the current and reserve requirements of all long-term debt principal and interest of which \$2,928 is restricted under the terms of the bond indenture.

Management of the District believes it was in compliance, at June 30, 2023, with the loan covenant reserve related to its long-term indebtedness.

NOTE 7 - PENSION PLAN

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

PERSIA UTILITY DISTRICT
Notes to Financial Statements (Continued)

NOTE 7 - PENSION PLAN (Continued)

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

Employees covered by the 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	2
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<hr/> 8
Total employees	<hr/> 13

Contributions - Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of salary. Persia Utility District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2023, the employer contributions for Persia Utility District were \$42,328 based on a rate of 11% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Persia Utility District's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset) - Persia Utility District'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

PERSIA UTILITY DISTRICT
Notes to Financial Statements (Continued)

NOTE 7 - PENSION PLAN (Continued)

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, 2022 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 2.5 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	Expected Real Rate of Return	Long-Term Target Allocation
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		100%

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

Discount rate - The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Persia Utility District 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.

PERSIA UTILITY DISTRICT
Notes to Financial Statements (Continued)

NOTE 7 - PENSION PLAN (Continued)

Changes in the Net Pension Liability (Asset)

The following table depicts the change in the net pension liability:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 6/30/21	<u>\$ 969,768</u>	<u>\$ 1,122,098</u>	<u>\$ (152,330)</u>
Changes for the year:			
Service cost	22,845	-	22,845
Interest	66,176	-	66,176
Differences between expected and actual experience	50,423	-	50,423
Changes in assumptions	-	-	-
Contributions - employer	-	42,328	(42,328)
Contributions - employees	-	19,240	(19,240)
Net investment income	-	(43,623)	43,623
Benefit payments, including refunds of employee contributions	(24,461)	(24,461)	-
Administrative expense	-	(790)	790
Net changes	<u>114,983</u>	<u>(7,306)</u>	<u>122,289</u>
Balance at 6/30/22	<u>\$ 1,084,751</u>	<u>\$ 1,114,792</u>	<u>\$ (30,041)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate - The following presents the net pension liability (asset) of Persia Utility District calculated using the discount rate of 6.75 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Persia Utility District's net pension liability (asset)	\$ 151,038	\$ (30,041)	\$ (176,803)

PERSIA UTILITY DISTRICT
Notes to Financial Statements (Continued)

NOTE 7 - PENSION PLAN (Continued)

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

Pension expense (negative pension expense) - For the year ended June 30, 2023, Persia Utility District recognized pension expense (negative pension expense) of \$9,522.

Deferred outflows of resources and deferred inflows of resources - For the year ended June 30, 2023, Persia Utility District 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	\$ 71,880	\$ 32,935
Net difference between projected and actual earnings on pension plan investments	5,554	-
Changes in assumptions	128,700	-
Contributions subsequent to the measurement date of June 30, 2021	<u>49,469</u>	-
Total	<u>\$ 255,603</u>	<u>\$ 32,935</u>

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

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

Plan Year Ended June 30:	<u>Reported</u>
2024	\$ 17,210
2025	17,489
2026	14,346
2027	49,471
2028	22,740
Thereafter	<u>51,938</u>
	<u>\$ 173,194</u>

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, Persia Utility District reported a payable of \$2,176 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2023.

PERSIA UTILITY DISTRICT
Notes to Financial Statements (Continued)

NOTE 8 - DEFERRED COMPENSATION PLAN

The District adopted a resolution to be a participating employer to participate in State of Tennessee Deferred Compensation Plan effective May 1, 2015. The District has elected not to make any matching contributions to the plan. The plan is fully funded through employee salary deferrals.

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District's risks of loss are covered by its commercial package insurance policies. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past eight years.

NOTE 10 - CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the District to concentrations of credit risk consist primarily of customer accounts receivable. As of June 30, 2023, the allowance for uncollectible customer accounts receivable is \$183,951. Account monitoring procedures are utilized to minimize the risk of loss. Management does not believe significant credit risk exists at June 30, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

PERSIA UTILITY DISTRICT
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the
Public Employee Pension Plan of TCRS and Related Notes (Unaudited)
June 30, 2023

	2015	2016	2017	2018	2019	2020	2021	2022
Total pension liability								
Service cost	\$ 19,494	\$ 19,917	\$ 19,410	\$ 20,285	\$ 24,339	\$ 24,517	\$ 16,004	\$ 22,845
Interest	37,434	39,162	39,742	42,210	48,485	50,928	54,609	66,176
Changes in benefit terms	(4,173)	-	-	-	-	-	-	-
Differences between actual and expected experience	-	(20,649)	(20,834)	25,554	(29,061)	3,334	18,084	50,423
Change of assumptions	-	-	18,574	-	-	-	155,916	-
Benefit payments, including refunds of employee contributions	(5,302)	(54,972)	(5,401)	(5,504)	(5,608)	(14,862)	(24,136)	(24,461)
Net change in total pension liability	47,453	(16,542)	51,491	82,545	38,155	63,917	220,477	114,983
Total pension liability - beginning	482,271	529,724	513,183	564,674	647,219	685,374	749,291	969,768
Total pension liability - ending (a)	\$ 529,724	\$ 513,182	\$ 564,674	\$ 647,219	\$ 685,374	\$ 749,291	\$ 969,768	\$ 1,084,751
Plan fiduciary net position								
Contributions - employer	\$ 22,429	\$ 22,507	\$ 25,940	\$ 34,370	\$ 37,836	\$ 36,487	\$ 35,985	\$ 42,328
Contributions - employee	13,760	13,808	14,175	17,185	17,198	16,585	16,357	19,240
Net investment income	14,632	13,143	58,482	50,983	53,032	40,097	227,278	(43,623)
Benefit payments, including refunds of employee contributions	(5,302)	(54,972)	(5,401)	(5,504)	(5,608)	(14,862)	(24,136)	(24,461)
Administrative expense	(355)	(530)	(594)	(760)	(712)	(663)	(626)	(790)
Net change in plan fiduciary net position	45,164	(6,044)	92,602	96,274	101,746	77,644	254,858	(7,306)
Plan fiduciary net position - beginning	459,854	505,018	498,974	591,576	687,850	789,596	867,240	1,122,098
Plan fiduciary net position - ending (b)	\$ 505,018	\$ 498,974	\$ 591,576	\$ 687,850	\$ 789,596	\$ 867,240	\$ 1,122,098	\$ 1,114,792
Net pension (asset) liability (a) - (b)	\$ 24,706	\$ 14,208	\$ (26,902)	\$ (40,631)	\$ (104,222)	\$ (117,949)	\$ (152,330)	\$ (30,041)
Plan fiduciary net position as a percentage of total pension liability	95.34%	97.23%	104.76%	106.28%	115.21%	115.74%	115.71%	102.77%
Covered payroll	\$ 275,203	\$ 276,164	\$ 283,498	\$ 343,697	\$ 343,967	\$ 331,701	\$ 327,134	\$ 384,795
Net pension liability (asset) as a percentage of covered payroll	8.98%	5.14%	-9.49%	-11.82%	-30.30%	-35.56%	-46.57%	-7.81%

Notes to Schedule:

Changes of assumptions - In 2021, amounts reported as changes in 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 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior year's data, if needed.

PERSIA UTILITY DISTRICT
Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS (Unaudited)
June 30, 2023

	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially determined contribution (ADC)	\$ 22,429	\$ 22,507	\$ 23,105	\$ 31,448	\$ 24,766	\$ 6,203	\$ 6,117	\$ -
Contributions in relation to the ADC	<u>22,429</u>	<u>22,507</u>	<u>25,940</u>	<u>34,370</u>	<u>37,836</u>	<u>36,487</u>	<u>35,985</u>	<u>42,328</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,835)</u>	<u>\$ (2,922)</u>	<u>\$ (13,070)</u>	<u>\$ (30,284)</u>	<u>\$ (29,868)</u>	<u>\$ (42,328)</u>
Covered payroll	\$ 275,203	\$ 276,164	\$ 283,498	\$ 343,697	\$ 343,967	\$ 331,701	\$ 327,134	\$ 384,795
Contributions as a percentage of covered payroll	8.15%	8.15%	9.15%	10.00%	11.00%	11.00%	11.00%	11.00%

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

NOTE 1 - VALUATION DATE

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

NOTE 2 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial Cost Method	Entry age normal
Amortization Method	Level dollar, closed (not to exceed 20 years)
Remaining Amortization Period	Varies by year
Asset Valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.25 percent
Salary Increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	6.75 percent, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.125 percent

NOTE 3 - CHANGES OF ASSUMPTIONS

In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

See independent auditors' report.

OTHER SUPPLEMENTARY INFORMATION

PERSIA UTILITY DISTRICT
 Schedules of Operating Revenues and Operating Expenses
 Year Ended June 30, 2023

Schedule of Operating Revenues

Water sales, net of allowance	\$ 1,180,899
Tap revenue	32,624
Part sales	4,857
Miscellaneous and service charge	34,446
Forfeited discounts	<u>29,307</u>
 Total operating revenues	 <u>\$ 1,282,133</u>

Schedule of Operating Expenses

Operating wages	\$ 465,307
Repairs and maintenance	263,785
Water purchases	131,468
Payroll taxes and employee benefits	101,184
Utilities	43,793
Professional fees	30,301
Office expense and postage	28,541
Insurance	29,751
Taxes and licenses	15,470
Chemicals	12,753
Billing service	11,313
Uniforms	9,156
Telephone	8,397
Commissioner expense	5,900
Training	<u>199</u>
 Total operating expenses	 <u>\$ 1,157,318</u>

PERSIA UTILITY DISTRICT
Schedule of Certificates of Deposit
June 30, 2023

Financial Institution	Amount	Maturity Date	Interest Rate
First Community Bank	\$ 1,000,000	2/14/2024	4.25%
First Community Bank	15,000	10/30/2023	0.80%
First Community Bank	97,840	12/10/2023	0.80%
First Community Bank	10,980	3/14/2024	1.70%
First Community Bank	20,278	11/20/2023	0.90%
First Community Bank	<u>27,374</u>	9/30/2023	0.45%
	<u><u>\$ 1,171,472</u></u>		

PERSIA UTILITY DISTRICT
Schedule of Bond Principal & Interest Requirements
June 30, 2023

Year	2014 Series Bonds		USDA Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 75,000	\$ 29,363	\$ 1,952	\$ 976	\$ 76,952	\$ 30,339
2025	75,000	27,113	2,057	872	77,057	27,985
2026	80,000	24,863	2,167	791	82,167	25,654
2027	80,000	22,463	2,284	644	82,284	23,107
2028	80,000	20,063	2,407	522	82,407	20,585
2029	85,000	17,663	2,536	392	87,536	18,055
2030	85,000	15,113	2,672	256	87,672	15,369
2031	80,000	12,350	2,425	112	82,425	12,462
2032	70,000	9,755	-	-	70,000	9,755
2033	75,000	7,475	-	-	75,000	7,475
2034	75,000	5,038	-	-	75,000	5,038
2035	80,000	2,592	-	-	80,000	2,592
	<u>\$ 940,000</u>	<u>\$ 193,851</u>	<u>\$ 18,500</u>	<u>\$ 4,565</u>	<u>\$ 958,500</u>	<u>\$ 198,416</u>

PERSIA UTILITY DISTRICT
Schedule of Changes in Long-term Debt by Individual Issue
June 30, 2023

Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2022	Paid and/or Refunded			
					Issued During Period	Matured During Period	Refunded During Period	Outstanding 6/30/2023
<u>Bonds Payable through General Revenues</u>								
2014 Series Special Revenue	2.50 to 3.25% \$ 48,000	10/15/2014 5.25%	12/1/2034 7/30/1993	\$ 1,015,000 19,181	\$ - -	\$ 75,000 681	\$ - -	\$ 940,000 18,500
Total bonds payable				\$ 1,034,181	\$ -	\$ 75,681	\$ -	\$ 958,500

PERSIA UTILITY DISTRICT
 Schedules of Customer Rate Data and Insurance Coverage
 Year Ended June 30, 2023

Schedule of Customer Rate Data

All Customers		
First 900 gallons - minimum	\$ 28.00	
Over 900 gallons - per thousand	\$ 10.00	
Number of customers at year end		2,004

Schedule of Insurance Coverage

	Expiration	Coverage Amount	
		Per Occurrence	Aggregate Limit
Commercial general liability	06/04/24	1,000,000	\$2,000,000
Public official surety bond per commissioner	03/01/24	69,000	414,000
Business auto liability	06/04/24	1,000,000	None
Worker's compensation	06/04/24	500,000	500,000
Fire insurance	06/04/24	500,000	
Storage building	06/04/24	200,000	
Utility building	06/04/24	4,000	
Pump station	06/04/24	180,960	
Three (3) radio stations	06/04/24	62,400	
Filtration plant building	06/04/24	1,400,000	
Plant building contents	06/04/24	50,000	
Storage building contents	06/04/24	29,000	
Inland marine - equipment loss	06/04/24	61,000	
Cyber	06/04/24	2,100,000	



Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance
And Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

Board of Commissioners
Persia Utility District
Rogersville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Persia Utility District (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise District's basic financial statements and have issued our report thereon dated October 20, 2023.

Report on Internal Control over Financial Reporting

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

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

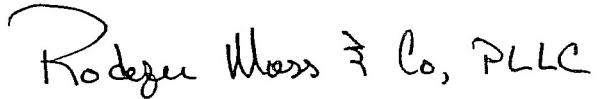
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

A handwritten signature in black ink that reads "Roderick W. Moss & Co, PLLC". The signature is fluid and cursive, with "Roderick" and "Moss" being the most prominent names.

Johnson City, Tennessee
October 20, 2023

PERSIA UTILITY DISTRICT
Summary of Prior Year Findings and Responses
Year Ended June 30, 2023

Prior Year Financial Statement Findings

There were no prior year findings.