

TOWN OF KINGSTON SPRINGS, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2025

TOWN OF KINGSTON SPRINGS, TENNESSEE

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INTRODUCTORY SECTION

TOWN OF KINGSTON SPRINGS, TENNESSEE

Officials of the Town of Kingston Springs, Tennessee

June 30, 2025

Name

Title

Elected Officials:

Todd Verhoven

Mayor

Mike Hargis

Vice-Mayor

Keith Allgood

Commissioner

Michael Coldwell

Commissioner

Robert Stohler

Commissioner

Management:

John Lawless

City Manager

Kellie Reed

Finance Director and CMFO

Jamie Dupre'

City Recorder

FINANCIAL SECTION

Independent Auditor's Report

Mayor and Board of Commissioners of the
Town of Kingston Springs, Tennessee
Kingston Springs, Tennessee

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Kingston Springs, Tennessee (the "Town"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town'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 of the Town, as of June 30, 2025, and the respective changes in financial position, and the respective budgetary comparison for the General Fund, Adequate Facilities Fund, and the Drug Fund for the year then ended and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Government 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 Town 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 opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town'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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- ❖ Exercise professional judgment and maintain professional skepticism throughout the audit.
- ❖ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- ❖ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town'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 Required Supplementary Information, which includes the Management's Discussion and Analysis, the Schedule of Changes in Net Pension Liability (Asset), the Schedule of Contributions to the Employee Pension Plan, and the Schedule of Changes in Total Liability and Related Ratios – L.GOP, 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 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary information section, as 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 my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information – Introductory Section

Management is responsible for the Introductory Section included in the annual report. The Introductory Section, as listed in the table of contents, does not include the basic financial statements and my auditor's report thereon. My opinion on the basic financial statements does not cover the Introductory Section, and I do not express an opinion or any other assurance thereon.

In connection with my audit of the basic financial statements, my responsibility is to read the Introductory Section and consider whether a material inconsistency exists between the Introductory Section and basic financial statements, or the Introductory Section otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the Introductory Section 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 October 31, 2025, on my consideration of the Town'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 is solely 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 Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town's internal control over financial reporting and compliance.

John R Poole, CPA

October 31, 2025

MANAGEMENT'S
DISCUSSION AND
ANALYSIS

TOWN OF KINGSTON SPRINGS, TENNESSEE

Management's Discussion and Analysis

As management of the Town of Kingston Springs, Tennessee (the Town) we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2025. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Town. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

Financial Highlights:

The assets of the Town of Kingston Springs exceeded its liabilities at the close of the most recent fiscal year by \$17,903,187. Of this amount, \$5,136,000 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net position increased by \$1,088,577, even as revenues were lower due to decreased grant revenues in the enterprise funds in the current year. Expenses were higher in the current year by \$287,432. The Governmental funds' performance was better than expected from a growing local economy producing increased sales and property taxes and grant revenues. A comparison of the previous year's revenues by source and expenditures by function are included in this Management's Discussion and Analysis.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,293,861, an increase of \$599,157 in comparison to the prior year due to increased capital grant revenues. The Town saw an increase in the governmental fund expenses compared to the prior year. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,064,028 or 118% of the total general fund expenditures. The Town's business-like activities total net position increased by \$22,345, as the Town's sewer system operated as planned.

Capital assets of \$900,892 were purchased for governmental activities and \$164,170 for the sewer operations. The Town has \$759,700 in general obligation debt and \$466,000 related to sewer improvements. The Town's total debt decreased by \$174,200 during the current fiscal year. The Town made all required payments. All debt is being paid down as scheduled.

Overview of the Financial Statements:

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

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected tax).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Kingston Springs include general government, personnel, finance, parks, planning, fire, streets and public works. The government-wide financial statements can be found on pages 11-12 of this report.

A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated from specific activities or objectives. The Town of Kingston Springs, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town are governmental funds. Governmental Funds are funds 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 resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the funds all of which are considered to be major funds. The Town also reports one enterprise (business-like) fund with its Sewer fund.

The Town of Kingston Springs adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic financial statements can be found on pages 14-28 of this report. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-51 of this report.

Financial Analysis of the Financial Statements -- 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 Town of Kingston Springs, assets exceeded liabilities by \$17,903,187 at the close of the most recent fiscal year.

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

Financial Analysis of the Financial Statements - Town of Kingston Springs' Net Position - 2025

	Governmental <u>Activities</u>	Business -Type <u>Activities</u>
Current and other assets	\$ 5,247,195	993,873
Capital assets	<u>10,319,047</u>	<u>3,515,543</u>
Total assets	15,566,242	4,509,416
Deferred outflows	756,062	64,554
Long-term liabilities outstanding	759,700	466,000
Other liabilities	<u>622,432</u>	<u>158,378</u>
Total liabilities	1,382,132	624,378
Deferred inflows:	982,828	3,749
Net position:		
Net investment in capital assets	9,559,347	3,049,543
Restricted	158,297	0
Unrestricted	<u>4,239,700</u>	<u>896,300</u>
Total net position	\$13,957,344	3,945,843

Financial Analysis of the Financial Statements - Town of Kingston Springs' Net Position – 2024

	Governmental <u>Activities</u>	Business -Type <u>Activities</u>
Current and other assets	\$ 4,543,789	1,092,995
Capital assets	<u>9,955,207</u>	<u>3,531,068</u>
Total assets	14,498,996	4,624,063
Deferred outflows	652,540	40,946
Long-term liabilities outstanding	847,900	552,000
Other liabilities	<u>552,915</u>	<u>187,988</u>
Total liabilities	1,400,815	739,988
Deferred inflows:	859,609	1,523
Net position:		
Net investment in capital assets	9,107,307	2,979,068
Restricted	247,814	-
Unrestricted	<u>3,535,991</u>	<u>944,430</u>
Total net position	\$12,891,112	3,923,498

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

Financial Analysis of the Financial Statements

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

Governmental Funds

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

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,064,028. 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. Unassigned fund balance represents 118% of total general fund expenditures.

Comparison of revenues of expenses

	2024	2025	Change	2024	2025	Change
	Govern-	Govern-	from	Business-	Business-	from
	mental	mental	Previous	type	type	Previous
	<u>Activities</u>	<u>Activities</u>	<u>Year</u>	<u>Activities</u>	<u>Activities</u>	<u>Year</u>
Revenues:						
Program revenues:						
Charges for services	139,816	106,946	(32,870)	871,951	795,452	(76,499)
Operating grants and contributions	358,522	380,984	22,462	0	0	0
Capital grants and contributions	213,180	715,757	502,577	700,000	102,603	(597,397)
General revenues:						
Property taxes	908,854	1,004,850	95,996	0	0	0
Sales taxes	1,424,375	1,494,253	69,878	0	0	0
Other local taxes	265,932	252,509	(13,423)	0	0	0
Other state shared taxes	24,187	13,198	(10,989)	0	0	0
Other	153,834	174,104	20,270	73,234	19,676	(53,558)
Total revenues	<u>\$3,488,700</u>	<u>\$4,142,601</u>	<u>\$653,901</u>	<u>\$1,645,185</u>	<u>\$917,731</u>	<u>(\$727,454)</u>
Expenses:						
General government	741,722	746,676	4,954	0	0	0
Codes	36,377	53,419	17,042	0	0	0
Police department	867,359	927,933	60,574	0	0	0
Fire department	329,463	327,380	(2,083)	0	0	0
Highways and streets	573,601	628,739	55,138	0	0	0
Tourism	54,929	53,567	(1,362)	0	0	0
Parks and recreations	355,500	338,655	(16,845)	0	0	0
Sewer department	0	0	0	725,372	895,386	170,014
Total expenses	<u>\$2,958,951</u>	<u>\$3,076,369</u>	<u>\$117,418</u>	<u>\$725,372</u>	<u>\$895,386</u>	<u>\$170,014</u>
Increases in Net Position	<u>529,749</u>	<u>1,066,232</u>	<u>536,483</u>	<u>919,813</u>	<u>22,345</u>	<u>(897,468)</u>

Governmental Budgetary Highlights

The Town maintained its budgeted appropriations during the year.

Capital Assets

The Town of Kingston Springs' investment in capital assets from its governmental activities at June 30, 2025, amounts to \$10,319,047 (net of accumulated depreciation) and its business-type activities amounts to \$3,515,543. This investment in capital assets is in land, buildings, improvements, machinery and equipment.

Town of Kingston Springs' Capital Assets - 2025

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Land and buildings	\$ 2,436,635	66,432
Infrastructure	12,443,668	6,978,245
Equipment	<u>3,107,704</u>	<u>154,934</u>
Less accumulated depreciation	(7,668,960)	(3,684,068)
Net Capital Assets	\$ <u>10,319,047</u>	<u>3,515,543</u>

Town of Kingston Springs' Capital Assets - 2024

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Land and buildings	\$ 2,375,497	66,432
Infrastructure	11,903,391	6,869,312
Equipment	<u>2,808,227</u>	<u>99,697</u>
Less accumulated depreciation	(7,131,908)	(3,504,373)
Net Capital Assets	\$ <u>9,955,207</u>	<u>3,531,067</u>

Additional information on the Town of Kingston Springs' capital assets can be found in the notes to the financial statements section of this report.

Long-term Debt

The Town has several loans outstanding for the Fire department of \$278,000 and sidewalk installation and property purchase of \$481,700 and \$466,000 for the Town's sewer system. Additional information on the Town of Kingston Springs' Long-term debt can be found in the notes to the financial statements section of this report.

Economic Factors and Next Year's Budget and Rates

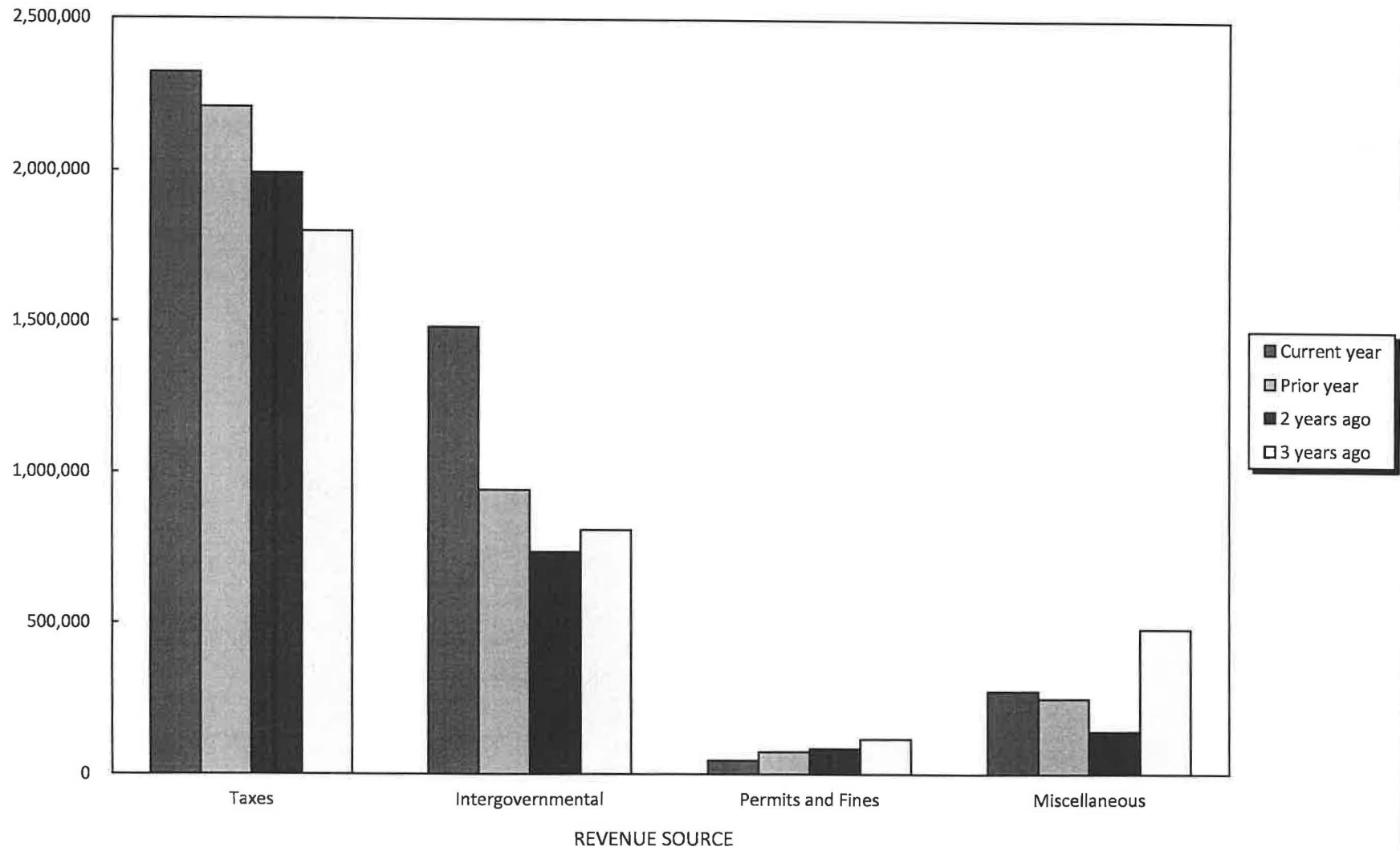
In the 2025-2026 budget, General fund revenues are budgeted to maintain from the 2024-2025 budget year primarily due to higher local taxes and lower state shared revenues. The Town's budget has benefited by a growing commercial and retail base producing higher local sales tax receipts. All of these factors were considered in preparing the Town's budget for the 2025-2026 fiscal year.

Requests for Information

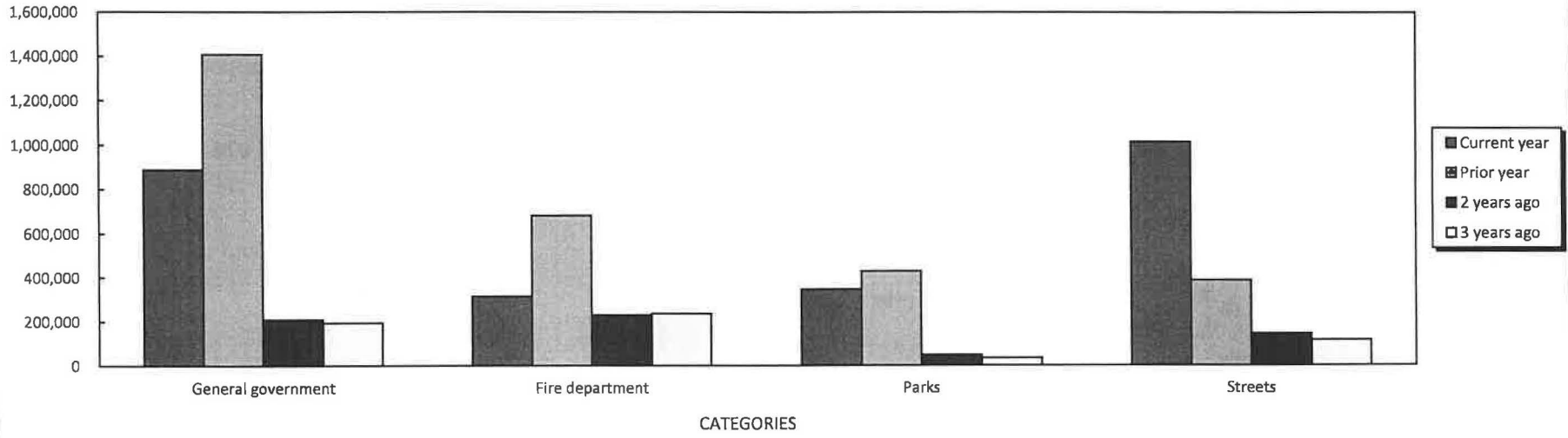
This financial report is designed to provide a general overview of the Town of Kingston Springs, Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Kellie Reed
Town of Kingston Springs

TOWN OF KINGSTON SPRINGS, TENNESSEE
GOVERNMENTAL FUND REVENUES



TOWN OF KINGSTON SPRINGS, TENNESSEE
GOVERNMENTAL FUND EXPENDITURES



BASIC FINANCIAL STATEMENTS

TOWN OF KINGSTON SPRINGS, TENNESSEE

Statement of Net Position

June 30, 2025

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and cash equivalents	4,024,868	849,000	4,873,868
Receivables	1,150,791	126,733	1,277,524
Prepaid assets	71,536	18,140	89,676
Capital assets not being depreciated	441,106	66,432	507,538
Capital assets, net of accumulated depreciation	<u>9,877,941</u>	<u>3,449,111</u>	<u>13,327,052</u>
Total Assets	<u>15,566,242</u>	<u>4,509,416</u>	<u>20,075,658</u>
Deferred Outflows			
Deferred outflow of resources - OPEB	13,696	0	13,696
Deferred outflow of resources - pension	<u>742,366</u>	<u>64,554</u>	<u>806,920</u>
Total Deferred Outflows	<u>756,062</u>	<u>64,554</u>	<u>820,616</u>
 <u>Liabilities, Deferred Inflows, and Net Position</u>			
Liabilities			
Accrued expenses	3,023	2,868	5,891
Unearned revenue - ARPA grants	0	109,138	109,138
Total OPEB Liability	39,995	0	39,995
Net pension liability	524,170	45,580	569,750
Compensated absences - current	55,244	792	56,036
Long-term liabilities:			
Due within one year	91,400	88,000	179,400
Due in more than one year	<u>668,300</u>	<u>378,000</u>	<u>1,046,300</u>
Total Liabilities	<u>1,382,132</u>	<u>624,378</u>	<u>2,006,510</u>
Deferred Inflow of Resources:			
Deferred inflows of resources - Property taxes	919,189	0	919,189
Deferred inflows of resources - OPEB	20,521	0	20,521
Deferred inflows of resources - pension	<u>43,118</u>	<u>3,749</u>	<u>46,867</u>
Total Deferred Inflow of Resources	<u>982,828</u>	<u>3,749</u>	<u>986,577</u>
Net Position:			
Net investment in capital assets	9,559,347	3,049,543	12,608,890
Restricted - State Street aid	0	0	0
Restricted - Adequate facilities	53,503	0	53,503
Restricted - Drug fund	104,794	0	104,794
Unrestricted	<u>4,239,700</u>	<u>896,300</u>	<u>5,136,000</u>
Total Net Position	<u>13,957,344</u>	<u>3,945,843</u>	<u>17,903,187</u>

See accompanying notes to financial statements.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2025

Function/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Government Activities:							
General government	746,676	27,160	14,210	715,757	10,451	0	10,451
Codes	53,419	0	0	0	(53,419)	0	(53,419)
Police	927,933	19,684	8,800	0	(899,449)	0	(899,449)
Fire	327,380	0	252,530	0	(74,850)	0	(74,850)
Highways and streets	628,739	0	105,444	0	(523,295)	0	(523,295)
Tourism	53,567	0	0	0	(53,567)	0	(53,567)
Parks and recreations	338,655	60,102	0	0	(278,553)	0	(278,553)
Total Governmental Activities	<u>3,076,369</u>	<u>106,946</u>	<u>380,984</u>	<u>715,757</u>	<u>(1,872,682)</u>	<u>0</u>	<u>(1,872,682)</u>
Business - type Activities:							
Sewer	882,675	795,452	0	102,603	0	15,380	15,380
Total Business Type Activities	<u>882,675</u>	<u>795,452</u>	<u>0</u>	<u>102,603</u>	<u>0</u>	<u>15,380</u>	<u>15,380</u>
Total	<u>3,959,044</u>	<u>902,398</u>	<u>380,984</u>	<u>818,360</u>	<u>(1,872,682)</u>	<u>15,380</u>	<u>(1,857,302)</u>
General Revenues:							
Property taxes				992,139	0	0	992,139
Sales taxes				1,494,253	0	0	1,494,253
Beer and liquor taxes				160,228	0	0	160,228
Franchise taxes				92,281	0	0	92,281
Facilities tax				13,198	0	0	13,198
Interest income				139,366	19,676	0	159,042
Other				34,738	0	0	34,738
Total general revenues				<u>2,926,203</u>	<u>19,676</u>	<u>0</u>	<u>2,945,879</u>
Transfers - in lieu of property taxes				12,711	(12,711)	0	0
Changes in Net Position				<u>1,066,232</u>	<u>22,345</u>	<u>0</u>	<u>1,088,577</u>
Net Position - beginning of year				12,891,112	3,923,498	16,814,610	16,814,610
Net Position - ending of year				<u>13,957,344</u>	<u>3,945,843</u>	<u>17,903,187</u>	<u>17,903,187</u>

See accompanying notes to financial statements.

FUND FINANCIAL
STATEMENTS

TOWN OF KINGSTON SPRINGS, TENNESSEE

Balance Sheet

Governmental Funds

June 30, 2025

<u>Assets</u>	<u>General Fund</u>	<u>Adequate Facilities Fund</u>	<u>Drug Fund</u>	<u>Total</u>
Cash and cash equivalents	\$3,866,571	\$53,503	\$104,794	\$4,024,868
Accounts receivable - other governments	200,480	0	0	200,480
Property tax receivable	950,311	0	0	950,311
Prepaid assets	71,536	0	0	71,536
Total Assets	\$5,088,898	\$53,503	\$104,794	\$5,247,195
 <u>Liabilities, Deferred Inflows, and Fund Balance</u>				
Liabilities:				
Accrued expenses	3,023	0	0	3,023
Total Liabilities	3,023	0	0	3,023
 Deferred Inflow of Resources:				
Deferred current property taxes	919,189	0	0	919,189
Deferred delinquent property taxes	31,122	0	0	31,122
Total Deferred Inflow of Resources	950,311	0	0	950,311
 Fund balance:				
Unassigned	4,064,028	0	0	4,064,028
Nonspendable	71,536	0	0	71,536
Restricted - State street aid	0	0	0	0
Restricted	0	53,503	104,794	158,297
Total Fund Balance	4,135,564	53,503	104,794	4,293,861
Total Liabilities, Deferred Inflows, and Fund Balance	\$5,088,898	\$53,503	\$104,794	\$5,247,195

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

Reconciliation of the Balance Sheet to the Statement of Net Position
of Governmental Activities

June 30, 2025

Amounts reported for fund balance - total governmental funds	\$ 4,293,861
Amounts reported for governmental activities in the statement of net position are different because:	
Pension related accounts - governmental funds to not record these post-benefit obligations	
Net pension liability	(524,170)
Deferred outflow - pension	742,366
Deferred inflow - pension	(43,118)
OPEB related accounts - governmental funds to not record these post-benefit obligations	
Total OPEB Liability	(39,995)
Deferred outflow - OPEB	13,696
Deferred inflow - OPEB	(20,521)
Long-term liabilities, including bonds payable and accrued vacation are not due and payable in the current period and therefore are not recorded in the funds	
Long-term debt	(759,700)
Accrued vacation time	(55,244)
Other long term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds	31,122
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	<u>10,319,047</u>
Net Position of governmental activities	\$ <u><u>13,957,344</u></u>

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2025

	General Fund	Adequate Facilities Fund	Drug Fund	Total Governmental Funds
Revenues:				
Taxes	2,311,490	13,198	0	2,324,688
Intergovernmental	1,482,442	0	0	1,482,442
Permits	27,160	0	0	27,160
Fines	19,296	0	388	19,684
Miscellaneous	273,489	700	1,727	275,916
Total Revenues	<u>\$4,113,877</u>	<u>\$13,898</u>	<u>\$2,115</u>	<u>\$4,129,890</u>
Expenditures:				
Current:				
General government	700,938	0	0	700,938
Codes	53,419	0	0	53,419
Police department	781,165	0	5,530	786,695
Fire department	219,030	0	0	219,030
Parks and recreation	299,111	0	0	299,111
Highway and streets	416,909	0	0	416,909
Tourism	53,567	0	0	53,567
Capital outlay:				
Highway and streets	597,848	0	0	597,848
Police department	84,777	0	0	84,777
Fire department	71,129	0	0	71,129
Parks and recreation	47,138	0	0	47,138
Adequate facilities fund	0	100,000	0	100,000
Debt service:				
Principle	88,200	0	0	88,200
Interest	24,683	0	0	24,683
Total Expenditures	<u>\$3,437,914</u>	<u>\$100,000</u>	<u>\$5,530</u>	<u>\$3,543,444</u>
Excess (deficiency) of revenues over expenditures	<u>675,963</u>	<u>(86,102)</u>	<u>(3,415)</u>	<u>586,446</u>
Operating transfer: In lieu of taxes	12,711	0	0	12,711
Net change in fund balance	<u>688,674</u>	<u>(86,102)</u>	<u>(3,415)</u>	<u>599,157</u>
Fund Balance, Beginning of year	3,446,890	139,605	108,209	3,694,704
Fund Balance, End of year	<u>\$4,135,564</u>	<u>\$53,503</u>	<u>\$104,794</u>	<u>\$4,293,861</u>

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2025

Net change in fund balances - total governmental funds:	\$	599,157
Amounts reported for governmental activities in the statement of net position are different because:		
Expenses reported in the statement of activities that affect accrued liabilities that are not reported as expenditures in the governmental funds		
Change in pension plan accrual		24,660
Change in OPEB accounts		(1,274)
Change in employee vacation accrual		(4,463)
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds		
Debt principal payments		88,200
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		(3,888)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Acquisition of capital assets		900,892
Depreciation expense		<u>(537,052)</u>
Change in Net Position of governmental activities	\$	<u>1,066,232</u>

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

Statement of Net Position

Enterprise (Sewer) Fund

June 30, 2025

Assets

Current Assets:

Cash and cash equivalents	\$849,000
Accounts receivable	126,733
Prepaid insurance	18,140
Total Current Assets	993,873

Capital Assets:

Land	66,432
Sewer plant	7,133,179
Less accumulated depreciation	(3,684,068)
Total Capital Assets, Net	3,515,543

Total Assets	\$4,509,416
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Deferred Outflow - Pension	64,554
Total Deferred Outflows	\$64,554

Liabilities

Current Liabilities (payable from current assets):

Accrued expenses	\$2,868
Unearned revenue - ARPA grants	109,138
Compensated absences - current	792
Current portion of long-term debt	88,000
Total Current Liabilities (payable from current assets)	200,798

Long-Term Debt	378,000
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Net Pension Liability	45,580
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Total Liabilities	\$624,378
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Deferred Inflows - pension	3,749
Total Deferred Inflows	\$3,749

Net Position:

Net investment in capital assets	3,049,543
Unrestricted	896,300

Total Net Position	\$3,945,843
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The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Statement of Revenues, Expenses
and Changes in Net Position

Enterprise (Sewer) Fund

For the Year Ended June 30, 2025

Operating Revenues:	
Sewer usage fees	\$792,289
Sewer tap fees	3,163
Total Operating Revenues	<u>795,452</u>
Operating Expenses:	
Personnel costs	110,836
Payroll taxes	8,667
Employee benefits	19,741
Billing services	54,330
Repair and maintenance	210,622
Insurance	21,418
Vehicle expenses	15,132
Utilities	56,607
Supplies	47,521
Dues	5,816
Professional services	135,851
Depreciation	179,695
Miscellaneous	1,373
Total Operating Expenses	<u>867,609</u>
Operating income (loss)	<u>(72,157)</u>
Nonoperating Revenues (Expenses):	
Interest expense	(15,066)
Interest income	19,676
Total Nonoperating Revenues (Expenses)	<u>4,610</u>
Payment in lieu of taxes	<u>(12,711)</u>
Capital contributions	<u>102,603</u>
Net change in Net Position	<u>22,345</u>
Net Position, July 1, 2024	3,923,498
Net Position, June 30, 2025	<u>\$3,945,843</u>

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

Statement of Cash Flows

Sewer Fund

For the Year Ended June 30, 2025

Cash Flows from Operating Activities:	
Cash received from customers	818,844
Cash paid to suppliers	(616,563)
Cash paid to employees	(139,244)
Net Cash Provided (Used) by Operating Activities	<u>63,037</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of capital assets	(164,170)
Interest paid	(15,066)
Capital Contributions	102,603
Repayment of debt	(86,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(162,633)</u>
Cash Flows from Investing Activities:	
Interest received	19,676
Net Cash Flows Provided (Used) From by Investing Activities	<u>19,676</u>
Net Increase (decrease) in Cash	(79,920)
Cash and Cash Equivalents, July 1, 2024	<u>928,920</u>
Cash and Cash Equivalents, June 30, 2025	<u>849,000</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	(72,157)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
In lieu of taxes	(12,711)
Depreciation	179,695
Change in assets (increase) decrease:	
Accounts receivable	23,392
Prepaid insurance	(4,190)
Deferred outflow	(23,608)
Change in liabilities increase (decrease):	
Accrued expenses	(45,472)
Compensated absences	104
Net pension liability	15,758
Deferred inflow	2,226
Net Cash Provided (Used) by Operating Activities	<u>63,037</u>

See accompanying notes to financial statements.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual

General Fund

For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
Property tax	800,250	800,250	955,303	155,053
Interest on property tax	1,900	1,900	2,528	628
Franchise taxes	42,800	42,800	36,830	(5,970)
Wholesale beer and liquor taxes	156,170	156,170	139,255	(16,915)
Local sales tax	1,070,000	1,070,000	1,122,123	52,123
Hotel and motel tax	51,100	51,100	55,451	4,351
Total Taxes	<u>2,122,220</u>	<u>2,122,220</u>	<u>2,311,490</u>	<u>189,270</u>
Intergovernmental:				
TVA in lieu	33,623	33,623	34,308	685
State sales tax	342,514	342,514	365,960	23,446
State mixed drink taxes	16,500	16,500	19,785	3,285
State sports betting	4,961	4,961	6,170	1,209
State special petroleum tax	5,897	5,897	5,158	(739)
State gasoline and motor taxes	51,000	51,000	52,039	1,039
State gasoline inspection fee	14,060	14,060	14,698	638
State gasoline 1989 tax	7,200	7,200	7,960	760
State gasoline 2017 tax	24,200	24,200	25,589	1,389
State supplements	5,600	5,600	8,800	3,200
State grants	0	0	715,757	715,757
Fire tax - County	273,870	273,870	225,030	(48,840)
State beer tax	1,268	1,268	1,188	(80)
Total Intergovernmental Revenue	<u>780,693</u>	<u>780,693</u>	<u>1,482,442</u>	<u>701,749</u>
Permits:	<u>31,000</u>	<u>31,000</u>	<u>27,160</u>	<u>(3,840)</u>
Fines and fees:	<u>19,050</u>	<u>19,050</u>	<u>19,296</u>	<u>246</u>
Miscellaneous:				
Interest income	75,000	75,000	136,939	61,939
Park and activities	43,300	43,300	60,102	16,802
Insurance proceeds	0	0	20,646	20,646
Donations	18,000	18,000	14,210	(3,790)
Fire fighters association	0	0	27,500	27,500
Miscellaneous	108,750	108,750	14,092	(94,658)
Total Miscellaneous	<u>245,050</u>	<u>245,050</u>	<u>273,489</u>	<u>28,439</u>
Total Revenues	<u>3,198,013</u>	<u>3,198,013</u>	<u>4,113,877</u>	<u>915,864</u>

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued**

General Fund

For the Year Ended June 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures:				
General Government:				
Current:				
Salaries	3,584	3,584	3,172	412
Payroll tax	370	370	243	127
Employee benefits	2,551	2,551	1,218	1,333
Advertising	4,000	3,615	3,303	312
Dues and subscriptions	2,700	2,965	2,460	505
Utilities	22,390	21,720	21,673	47
Professional services	46,720	112,495	75,016	37,479
Maintenance and supplies	43,300	44,590	36,170	8,420
Office expense	27,300	26,050	16,829	9,221
Insurance	6,800	7,100	7,004	96
Library	8,500	8,500	8,500	0
Donations	5,000	5,000	5,000	0
Miscellaneous	2,600	3,050	5	3,045
	<u>175,815</u>	<u>241,590</u>	<u>180,593</u>	<u>60,997</u>
Capital outlay	23,500	23,500	0	23,500
Debt service	60,063	60,063	60,062	1
Total General Government	<u>259,378</u>	<u>325,153</u>	<u>240,655</u>	<u>84,498</u>
Administration				
Current:				
Salaries	186,400	186,650	186,648	2
Payroll tax	14,500	14,500	14,425	75
Employee benefits	47,450	46,876	43,651	3,225
Training	1,500	1,500	1,255	245
Travel	1,000	1,365	2,239	(874)
Miscellaneous	1,000	959	529	430
	<u>251,850</u>	<u>251,850</u>	<u>248,747</u>	<u>3,103</u>
Capital outlay	0	0	0	0
Total Administration	<u>251,850</u>	<u>251,850</u>	<u>248,747</u>	<u>3,103</u>
City Council				
Current:				
Personnel costs	10,334	10,334	8,700	1,634
Employee benefits	1,774	1,040	866	174
Miscellaneous	1,500	1,500	344	1,156
	<u>13,608</u>	<u>12,874</u>	<u>9,910</u>	<u>2,964</u>
Capital outlay	0	0	0	0
Total City Council	<u>13,608</u>	<u>12,874</u>	<u>9,910</u>	<u>2,964</u>

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued

General Fund

For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures:				
City Clerk				
Current:				
Salaries	137,500	137,500	132,447	5,053
Payroll tax	10,800	10,800	10,279	521
Employee benefits	40,961	40,961	38,371	2,590
Miscellaneous	1,300	1,300	843	457
	<u>190,561</u>	<u>190,561</u>	<u>181,940</u>	<u>8,621</u>
Capital outlay	0	0	0	0
Total City Clerk	<u>190,561</u>	<u>190,561</u>	<u>181,940</u>	<u>8,621</u>
Judicial and Legal				
Current:				
Judicial and legal	3,300	3,300	3,230	70
City attorney services	42,100	42,100	33,192	8,908
Miscellaneous	350	350	0	350
	<u>45,750</u>	<u>45,750</u>	<u>36,422</u>	<u>9,328</u>
Capital outlay	0	0	0	0
Total Judicial and Legal	<u>45,750</u>	<u>45,750</u>	<u>36,422</u>	<u>9,328</u>
Planning and Zoning				
Current:				
Planning Office	34,000	43,310	43,298	12
Miscellaneous	250	250	28	222
	<u>34,250</u>	<u>43,560</u>	<u>43,326</u>	<u>234</u>
Capital outlay	0	0	0	0
Total Planning and Zoning	<u>34,250</u>	<u>43,560</u>	<u>43,326</u>	<u>234</u>
Total General Government	<u>795,397</u>	<u>869,748</u>	<u>761,000</u>	<u>108,748</u>
Codes				
Current:				
Contracted services	52,500	48,050	48,049	1
Clean up costs and demolition	8,000	1,000	0	1,000
Supplies	2,000	4,065	1,928	2,137
Memberships	3,100	3,175	3,175	0
Miscellaneous	505	505	267	238
	<u>66,105</u>	<u>56,795</u>	<u>53,419</u>	<u>3,376</u>
Capital outlay	0	0	0	0
Total Codes	<u>66,105</u>	<u>56,795</u>	<u>53,419</u>	<u>3,376</u>

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued**

General Fund

For the Year Ended June 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures:				
Police				
Current:				
Salaries	488,000	486,208	437,132	49,076
Payroll taxes	37,900	37,900	33,924	3,976
Employee benefits	174,039	174,039	153,464	20,575
Training	7,000	2,500	3,535	(1,035)
Uniforms	10,500	8,500	8,331	169
Vehicle expense	59,500	69,200	55,115	14,085
Utilities	5,000	5,000	3,531	1,469
Professional services	41,000	41,000	33,001	7,999
Maintenance and supplies	25,950	27,150	24,649	2,501
Dues and subscriptions	9,000	5,600	2,161	3,439
Insurance	23,000	24,792	19,387	5,405
Travel	9,000	8,000	6,935	1,065
Miscellaneous	750	750	0	750
	<u>890,639</u>	<u>890,639</u>	<u>781,165</u>	<u>109,474</u>
Capital outlay	20,000	102,000	84,777	17,223
Total Police	<u>910,639</u>	<u>992,639</u>	<u>865,942</u>	<u>126,697</u>
Fire:				
Current:				
Salaries	57,868	56,604	50,901	5,703
Payroll taxes	4,427	4,427	3,894	533
Employee benefits	9,710	8,881	4,588	4,293
Training	12,000	10,259	9,882	377
Uniforms	5,000	2,130	980	1,150
Vehicle expense	26,200	33,386	30,924	2,462
Utilities	19,300	20,486	19,998	488
Professional services	6,000	4,411	9,796	(5,385)
Maintenance and supplies	48,150	52,833	44,123	8,710
Insurance	21,900	21,958	20,348	1,610
Travel	22,000	23,635	23,540	95
Miscellaneous	2,300	2,220	56	2,164
	<u>234,855</u>	<u>241,230</u>	<u>219,030</u>	<u>22,200</u>
Debt service	52,821	52,821	52,821	0
Capital outlay	802,000	805,767	71,129	734,638
Total Fire	<u>1,089,676</u>	<u>1,099,818</u>	<u>342,980</u>	<u>756,838</u>

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued

General Fund

For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures:				
Streets				
Current:				
Salaries	247,600	247,600	212,674	34,926
Payroll taxes	19,300	19,300	16,490	2,810
Employee benefits	91,140	91,140	61,109	30,031
Uniforms	5,000	5,000	4,571	429
Vehicle expense	37,000	35,000	16,148	18,852
Maintenance and supplies	111,370	113,295	48,086	65,209
Insurance	7,500	7,575	7,401	174
Miscellaneous	4,000	4,000	0	4,000
	<u>522,910</u>	<u>522,910</u>	<u>366,479</u>	<u>156,431</u>
Capital outlay	508,760	653,210	471,608	181,602
Total Streets	<u>1,031,670</u>	<u>1,176,120</u>	<u>838,087</u>	<u>338,033</u>
State Street Aid				
Current:				
Street lights	40,270	50,570	50,430	140
Professional services	0	0	0	0
	<u>40,270</u>	<u>50,570</u>	<u>50,430</u>	<u>140</u>
Capital outlay	61,240	126,240	126,240	0
Total State Street Aid	<u>101,510</u>	<u>176,810</u>	<u>176,670</u>	<u>140</u>
Parks				
Current:				
Salaries	159,600	159,600	151,744	7,856
Payroll taxes	12,400	12,400	11,755	645
Employee benefits	42,880	42,928	40,551	2,377
Training	1,500	1,675	1,674	1
Activities	7,500	7,500	6,274	1,226
Vehicle expense	13,500	11,135	7,343	3,792
Utilities	25,250	30,135	30,118	17
Land rental	2,800	2,800	2,459	341
Maintenance and supplies	73,450	69,622	30,891	38,731
Insurance	10,500	11,585	11,046	539
Travel	4,500	4,500	4,309	191
Miscellaneous	3,250	3,250	947	2,303
	<u>357,130</u>	<u>357,130</u>	<u>299,111</u>	<u>58,019</u>
Capital outlay	50,000	50,000	47,138	2,862
Total Parks	<u>407,130</u>	<u>407,130</u>	<u>346,249</u>	<u>60,881</u>

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

**Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued**

General Fund

For the Year Ended June 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Tourism:				
Current:				
Economic Development	12,500	12,500	11,455	1,045
Activities	<u>60,230</u>	<u>61,730</u>	<u>42,112</u>	<u>19,618</u>
	72,730	74,230	53,567	20,663
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Tourism	<u>72,730</u>	<u>74,230</u>	<u>53,567</u>	<u>20,663</u>
Total Expenditures	<u>4,476,357</u>	<u>4,854,965</u>	<u>3,437,914</u>	<u>1,415,376</u>
Excess (deficiency) of revenues over expenditures	(1,278,344)	(1,656,952)	675,963	2,332,915
Other financing sources: In lieu of property taxes	<u>40,603</u>	<u>40,603</u>	<u>12,711</u>	<u>(27,892)</u>
Other financing sources: loan proceeds	<u>700,000</u>	<u>700,000</u>	<u>0</u>	<u>(700,000)</u>
Net change in fund balance	<u>(537,741)</u>	<u>(916,349)</u>	<u>688,674</u>	<u>1,605,023</u>
Fund Balance, July 1, 2024	3,446,890	3,446,890	3,446,890	0
Fund Balance, June 30, 2025	<u>2,909,149</u>	<u>2,530,541</u>	<u>4,135,564</u>	<u>1,605,023</u>

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

**Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual**

Adequate Facilities Fund

For the Year Ended June 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Adequate facilities tax	12,000	12,000	13,198	1,198
Interest income	<u>550</u>	<u>550</u>	<u>700</u>	<u>150</u>
Total Revenues	<u>12,550</u>	<u>12,550</u>	<u>13,898</u>	<u>1,348</u>
Expenditures:				
Capital Outlay	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>0</u>
Total Expenditures	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	(87,450)	(87,450)	(86,102)	1,348
Fund Balance, July 1, 2024	<u>139,605</u>	<u>139,605</u>	<u>139,605</u>	<u>-</u>
Fund Balance, June 30, 2025	<u><u>52,155</u></u>	<u><u>52,155</u></u>	<u><u>53,503</u></u>	<u><u>1,348</u></u>

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

**Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual**

Drug Fund

For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Drug fines	700	700	388	(312)
Interest	1,300	1,300	1,727	427
Total Revenues	2,000	2,000	2,115	115
Expenditures:				
Current:				
Training and travel	1,000	1,000	0	1,000
Supplies	21,740	21,740	3,318	18,422
Insurance	2,500	2,500	2,212	288
Miscellaneous	0	0	0	0
	25,240	25,240	5,530	19,710
Capital outlay			0	0
Total Expenditures	25,240	25,240	5,530	19,710
Excess (deficiency) of revenues over expenditures	(23,240)	(23,240)	(3,415)	19,825
Fund Balance, July 1, 2024	108,209	108,209	108,209	-
Fund Balance, June 30, 2025	84,969	84,969	104,794	19,825

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

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2025

(1) Summary of Significant Accounting Policies

The Town of Kingston Springs, Tennessee, was incorporated on December 14, 1965, under the provisions of the State of Tennessee Code Annotated, Sec. 6-18-101. The Town operates under a Commissioner-Manager form of government. The Town provides the following services, as authorized by its charter and duly passed ordinances: public safety (police and fire), sewer services, streets, recreations, public improvements, planning and zoning, and general administrative services. The accounting policies of the Town of Kingston Springs, Tennessee conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity:

In evaluating the Town as a reporting entity, management follows all applicable GASB statements and has addressed all potential component units (traditionally separate reporting entities) for which the Town may be financially accountable and, as such, should be included within the Town's financial statements. The Town (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the Town. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town has no component units at yearend.

Government -Wide and Fund Financial Statements

The Government-wide financial statements, the statement of Net Position and the statement of changes in Net Position, report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Government activities which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (i) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2025

(1) Summary of Significant Accounting Policies, Continued

Separate financial statements are provided for governmental funds and enterprise funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund revenues are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes and most other governmental revenues as available if received within 45 days of year end. Expenditures are recorded generally when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, state shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major funds:

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

Adequate Facilities Fund - To account for the receipt and payment of capital assets purchased to improve the Town's infrastructure.

Drug Fund - To account for the expenditures from drug related fines and related revenues.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2025

(1) Summary of Significant Accounting Policies, Continued

The government reports the following major enterprise fund:

The Utility Fund is used to account for sewer operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu taxes and other charges between the government's utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (i) charges to customers or applicants for goods, services, or privileges provided, (ii) operating grants and contributions, and (iii) capital grants and contributions. General revenues include all taxes and internally dedicated resources.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a enterprise fund's principal ongoing operations. The principal operating revenues of the various utility funds are charges to customers for sales and services. The Utility Fund also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. When unrestricted funds are used the Town uses committed, assigned then unassigned funds.

Inventory

Inventory of the Utility Fund is valued at cost, using the first in first out method. No amounts were recorded at yearend. Inventory of all the governmental funds consists of expendable supplies held for consumption and are recorded at cost under the consumption method.

Restricted Assets

Certain proceeds of the Enterprise Fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on their respective balance sheets because they are maintained in separate bank accounts and their use is either limited by applicable bond covenants or represent proceeds from bond issues that are restricted for use in construction.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2025

(1) Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of savings accounts, certificates of deposit with original maturities three months or less.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items (pension related and OPEB related) that qualifies for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has three items (property taxes, pension related, and OPEB related) that qualifies for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Receivables and Payables

Activity between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as either due from/ due to other funds (i.e. the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available resources. All trade receivables are shown net of an allowance for uncollectible, if applicable.

Net Position Flow Assumption

Sometimes the government 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 in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2025

(1) Summary of Significant Accounting Policies, Continued

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets consisting of certain improvements other than buildings, including streets and sidewalks are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an individual cost of (Land - all, Building \$10,000, Improvements other than Buildings \$5,000, Equipment \$5,000 and Infrastructure \$10,000) and an estimated useful life in excess of three years. All capital assets are valued at historical cost or estimated useful life in excess of three years. All capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is expensed when paid and thus not a part of the capitalized cost.

Depreciation is provided over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Infrastructure	40-50 years
Buildings	10-50 years
Utility Plant in Service	10-30 years
Furniture and Equipment	5-10 years

Property Tax

The Town's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the Town's legal boundaries. All Town taxes on real estate are declared to be a lien on such realty from January 1 of the year assessments are made.

Assessed values are established by the State of Tennessee at the following rates of appraised market value:

Public Utility Property	55%
Industrial and Commercial Property	
- Real	40%
- Personal	30%
Farm and Residential Property	25%

Taxes were levied at a rate of \$0.5204 per \$100 of assessed valuation for the fiscal year ended June 30, 2025.

Payments may be made during the period from October 1 through February 28th. Current tax collections of \$814,839 for the fiscal year ended June 30, 2025 were approximately 98 percent of the tax levy. Delinquent taxes are turned over for collection as required by the Town's Municipal Code.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2025

(1) Summary of Significant Accounting Policies, Continued

Long-term Obligations

In the government-wide financial statements and enterprise fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds and are presented in the accompanying financial statements as other assets. Debt issuance costs, such as insurance costs, fees and other related costs should be recognized as an expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Debt issuance costs, such as insurance costs, fees and other related costs should be recognized as an expense.

Pension

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

Government Wide – Net Position

Net position is a component of equity and is displayed in the following three components:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.

Restricted – Consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates, less any related liabilities. The restrictions are evident from the classification titles.

Unrestricted – All other net position that does not meet the description of the above categories.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2025

(1) Summary of Significant Accounting Policies, Continued

Other Post-Employment Benefit Plan - (OPEB)

For the purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, and OPEB expense, information about the fiduciary net position of the Town of Kingston Springs' participation in the Local Government OPEB Plan (LGOP) and additions to/deductions from the Town of Kingston Springs' fiduciary net position have been determined on the same basis as they are reported by the LGOP. For this purpose, benefits are recognized when due and payable in accordance with benefit terms of the LGOP.

Fund Balance

The Town implemented GASB 54 which addresses issues related to how fund balances are reported. Fund balances are now reported in the following manner:

Nonspendable Fund Balance - This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes terms that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance - This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.

Committed Fund Balance - This classification includes amounts that can only be used for the specific purposes determined by a formal action of the Town's highest level of decision-making authority, the Board of Commissioners of the Town of Kingston Springs, Tennessee. Commitments may be changed or lifted only by the Town taking the same formal action that imposed the constraint originally (for example: ordinance).

Assigned Fund Balance - This classification included amounts intended to be used by the Town for specific purposes that are neither restricted nor committed. The Board of Commissioners and its designee, the Finance Director, have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

Unassigned Fund Balance - This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2025

(1) Summary of Significant Accounting Policies, Continued

Budgets

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

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

Compensated Absences

The Town has accrued a liability for vacation pay which is earned, but not taken by Town employees. The liability for compensated absences attributable to the Town's governmental funds is recorded in the government-wide financial statements as a long-term liability and is a reconciling item between the fund and government-wide financial statements. Compensated absences related to business-type activities are charged to expense with a corresponding liability established in both the government-wide and fund financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2025

(2) Cash and Cash Equivalents

The Town is authorized to invest funds in Federal treasury bills and notes, State of Tennessee Local Government Investment Pool and financial institution demand deposit accounts and certificates of deposit. During the year, the Town invested funds that were not immediately needed in savings accounts. The Town has deposit policies to minimize custodial credit risks. 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 fund 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 town. Cash and cash equivalents were adequately covered by federal depository insurance, insured by the depository bank's participation in the State of Tennessee Bank Collateral Pool or collateralized by securities, pledged for deposits, held by an independent third-party financial institution under the terms of a safekeeping collateral agreement in the Town's name. Investment policies of the Town follow state law and bond requirements prohibiting investments that are not secured or insured by the U.S. Government.

(3) Accounts Receivable

Accounts receivable at June 30, 2025, consist of the following:

<u>Fund</u>	<u>Other Government</u>	<u>Property Tax</u>	<u>User Charges</u>	<u>Total</u>
General Fund	\$ 200,480	950,311	-	1,150,791
Sewer Fund	-	-	133,164	133,164
Allowance for Unpaid	-	-	(6,431)	(6,431)
Total	<u>\$ 200,480</u>	<u>950,311</u>	<u>126,733</u>	<u>1,277,524</u>

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2025

(4) Capital Assets

The following is a summary of changes in the governmental capital assets as presented in the governmental activities column of the government-wide financial statement is as follows:

	<u>Balance</u> <u>June 30, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2025</u>
Assets not being depreciated				
Land	\$ 441,106	-	-	441,106
Assets being depreciated				
Buildings and improvements	857,183	14,000	-	871,183
Improvements other than buildings	1,077,208	47,138	-	1,124,346
Infrastructure	11,903,391	540,277	-	12,443,668
Machinery and equipment	<u>2,808,227</u>	<u>299,477</u>	<u>-</u>	<u>3,107,704</u>
Total	<u>17,087,115</u>	<u>900,892</u>	<u>-</u>	<u>17,988,007</u>
Less Accumulated depreciation	<u>(7,131,908)</u>			<u>(7,668,960)</u>
Net capital assets in service	\$ <u>9,955,207</u>			<u>10,319,047</u>

All assets, except \$226,790 of land, are being depreciated.

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

General Fund:

General government administration	\$ 47,911
Parks department	39,544
Police department	141,238
Fire department	96,529
Highways and Streets	<u>211,830</u>
Total	<u>\$ 537,052</u>

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2025

(4) Capital Assets, Continued

A summary of changes in Enterprise (Sewer) Fund capital assets and related accumulated depreciation follows:

	Balance <u>July 1, 2024</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2025</u>
Assets not being depreciated				
Land	\$ 66,432	-	-	66,432
Construction in progress	1,087,974	-	1,087,974	-
Assets being depreciated				
Utility plant in service	5,781,338	1,196,907	-	6,978,245
Machinery and equipment	<u>99,697</u>	<u>55,237</u>	<u>-</u>	<u>154,934</u>
Total	<u>7,035,441</u>	<u>1,252,144</u>	<u>1,087,974</u>	<u>7,199,611</u>
Less Accumulated depreciation	<u>(3,504,373)</u>			<u>(3,684,068)</u>
Net capital assets in service	\$ <u>3,531,068</u>			<u>3,515,543</u>

All assets of the sewer fund, except for land of \$66,432, are being depreciated. Depreciation expense for the year was \$179,695.

(5) Long-Term Debt and Other Obligations Payable

Direct Borrowings

The following schedule reflects the changes in long-term debt, as shown in the Enterprise Fund during fiscal year 2025.

	Balance <u>July 1, 2024</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2025</u>	Due Within <u>One Year</u>
Compensated Absences	688	104	0	792	792
Bonds Payable:					
Sewer System Revenue & Tax	<u>552,000</u>	<u>0</u>	<u>86,000</u>	<u>466,000</u>	<u>88,000</u>
Total	<u>552,688</u>	<u>104</u>	<u>86,000</u>	<u>466,792</u>	<u>88,792</u>

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2025

(5) Long-Term Debt and Other Obligations Payable, Continued

The following schedule reflects the changes in Governmental long-term debt during fiscal year 2025.

	<u>Balance</u> <u>July 1, 2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2025</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences	50,781	4,463	0	55,244	55,244
 Bonds Payable:					
Fire Loan	319,000	0	41,000	278,000	41,000
TMBF - 12 Year	315,000	0	28,400	286,600	28,400
TMBF - GO CON 12 Year	213,900	0	18,800	195,100	18,800
Total	<u>898,681</u>	<u>4,463</u>	<u>88,200</u>	<u>814,944</u>	<u>143,444</u>

Principal and interest requirements to maturity on all outstanding bonds, loans and obligations as of June 30, 2025 are as follows:

<u>Year Ending</u>	<u>Governmental Funds</u>		<u>Sewer Funds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2026	91,400	21,806	88,000	13,980
2027	93,600	19,339	91,000	11,340
2028	96,900	16,989	93,000	8,610
2029	99,100	13,492	96,000	5,820
2030	101,400	10,236	98,000	2,940
2031-2034	<u>277,300</u>	<u>13,022</u>	-	-
Total	<u>759,700</u>	<u>94,884</u>	<u>466,000</u>	<u>42,690</u>

The above bonds payable contain provisions that in the event of default, the lender can use any remedy allowed by state or federal law. The liability for compensated absences in governmental activities is liquidated by the General Fund.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2025

(6) Pension Plan

General Information about the Pension Plan

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

Benefits provided. Tennessee Code Annotated, Title 8, Chapter 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 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.

Employees covered by benefit terms. At the measurement date of June 30, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	19
Active employees	<u>18</u>
Total	<u>46</u>

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2025

(6) Pension Plan, Continued

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. Kingston Springs makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2025, actuarially determined contribution for Kingston Springs were \$183,659 based on a rate of 11.28% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Kingston Springs' 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)

Kingston Springs' net pension liability (asset) was measured as of June 30, 2024, 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, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 2.25 percent

Salary increases Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation averaging 4.00 percent.

Investment rate of return 6.75 percent, net of pension plan investment expenses, including inflation.

Cost-of-Living Adjustment 2.125 percent

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

The actuarial assumptions used in the June 30, 2024 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.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2025

(6) Pension, Continued

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) are developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25% percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real Estate	4.38%	10%
Short-term securities	0.00%	<u>1%</u>
Total		<u>100%</u>

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

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2025

(6) Pension, Continued

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)	(a) - (b)
(a)	(b)		
Balance at 6/30/23	\$3,347,283	\$2,850,250	\$497,033
Changes for the Year:			
Service Cost	88,329	-	88,329
Interest	228,551	-	228,551
Changes in Benefit Terms	-	-	-
Differences between expected and actual experience	207,184	-	207,184
Changes in Assumptions	-	-	-
Contributions-employer	-	118,836	(118,836)
Contributions-employees	-	52,676	(52,676)
Net investment income	-	281,684	(281,684)
Benefit payments, including refunds of employee contributions	(99,335)	(99,335)	-
Administrative expense	-	(1,849)	1,849
Other changes	-	-	-
Net changes	424,729	352,012	72,717
Balance at 6/30/24	<u>\$ 3,772,012</u>	<u>\$ 3,202,262</u>	<u>\$ 569,750</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of Kingston Springs 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 <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
Kingston Springs' net pension Liability/(asset)	\$1,187,897	\$569,750	\$71,811

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2025

(6) Pension, 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, 2025, Kingston Springs recognized pension expense (negative pension expense) of \$153,375.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2025, Kingston Springs reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and Actual experience	\$ 511,063	\$ 13,182
Net difference between projected and Actual earning on pension plan Investments	-	33,685
Changes in Assumptions	112,198	-
Contributions subsequent to the Measurement date of June 30, 2024	<u>183,659</u>	<u>-</u>
Total	\$ <u>806,920</u>	\$ <u>46,867</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2024,” will be recognized as a reduction (increase) to net position liability (asset) in the following measurement period.

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

Year Ended June 30:

2026	\$78,626
2027	\$157,247
2028	\$106,825
2029	\$104,810
2030	\$71,867
Thereafter	\$57,033

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2025

Note 7 - OTHER POSTEMPLOYMENT BENEFITS FOR RETIREE HEALTH INSURANCE - LGOP

Local Government OPEB Plan

General information about the OPEB plan

Plan description – Employees of the Town, who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Local Government OPEB Plan (LGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired employees and disability participants of local governments, who chose coverage, participate in the LGOP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits provided -The Town offers the LGOP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health-savings consumer-driven health plan (CDHIP) for healthcare benefits. Retired plan members, of the LGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The Town does not directly subsidize and are only subject to the implicit. The LGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement NO. 75.

Employees covered by benefit terms. At July 1, 2024, the following employees were covered by the benefit terms of the LGOP:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>20</u>
Total	<u>20</u>

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to established premium rates. For the fiscal year ended June 30, 2025, the Town paid \$175 to the LGOP for OPEB benefits as they came due.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2025

Note 7 - OTHER POSTEMPLOYMENT BENEFITS FOR RETIREE HEALTH INSURANCE - LGOP

Total OPEB Liability

Actuarial assumptions - The total OPEB liability on the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all the periods included in the measurement, unless otherwise specified.

Inflation -	2.25%
Salary increases -	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent.
Healthcare cost trend rates -	10.68% for pre-65 in 2024, decreasing annually over a 13-year period to an ultimate rate of 4.50%. 13.44% for post-65 in 2024, decreasing annually over a 12 year period to an ultimate rate of 4.50%
Retiree's share of benefit-related costs -	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distributions of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2024, valuations were the same as those employed in the July 1, 2020 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the headcount-Weighted below median teachers PUB-2010 Healthy Participant Mortality table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2021. Post-retirement tables are adjusted with a 19% load for males and a 18% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load with mortality improvement projected to all future years using Scale MP-2021.

Discount rate-The discount rate used to measure the total OPEB liability was 3.93 percent. This rate reflects the interest rate derived from yields on a 20-year, tax exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-year Municipal GO AA index.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2025

Note 7 - OTHER POSTEMPLOYMENT BENEFITS FOR RETIREE HEALTH INSURANCE - LGOP

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Total OPEB liability - beginning balance	\$ 30,848
Changes for the year:	
Service cost	\$ 3,375
Interest	\$ 1,247
Changes of benefit terms	\$ -
Differences between expected and actual experience	\$ (656)
Change in assumptions	\$ 5,276
Benefit payments	\$ (95)
Net changes	\$ 9,147
Total OPEB liability - ending balance	\$ 39,995

Changes in assumptions - The discount rate was changed from 3.65% as of the beginning of the measurement period to 3.93% as of June 30, 2024. This change in assumption decreased the total OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and health trend rates.

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

	Current Discount Rate Assumption	
1% Decrease	1% Increase	
<u>(2.93%)</u>	<u>(3.93%)</u>	<u>(4.93%)</u>
\$ 44,033	\$ 39,995	\$ 36,279

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

	Current Healthcare Cost Trend Rate Assumption	
1% Decrease	1% Increase	
<u>(5.60 decreasing to 3.50%)</u>	<u>(6.60% decreasing to 4.50%)</u>	<u>(7.60% decreasing to 5.50%)</u>
\$ 34,778	\$ 39,995	\$ 46,212

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2025

Note 7 - OTHER POSTEMPLOYMENT BENEFITS FOR RETIREE HEALTH INSURANCE - LGOP

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

OPEB Expense - For the fiscal year ended June 30, 2025, the Town of Kingston Springs recognized OPEB expense of \$1,449.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2025, the Town of Kingston Springs reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and Actual experience	-	5,312
Changes in assumptions	13,521	15,209
Employer payments subsequent to The measurement date	<u>175</u>	<u>-</u>
Total	<u>13,696</u>	<u>20,521</u>

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

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

Year Ended June 30:		
2026	\$	(2,649)
2027		(2,532)
2028		(2,245)
2029		(2,206)
2030		(379)
Thereafter		<u>3,011</u>

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2025

(8) Risk Management

The Town is exposed to various risks to general liability and property and casualty losses. The Town has decided it is more economically feasible to be in a public entity risk pool as opposed to purchasing commercial insurance for general liability and property and casualty coverage. The Town participates in the Public Entity Partners (formerly TML Insurance Pool), which is a public entity risk pool established by the Tennessee Municipal League, an association of member cities. The Town pays an annual premium to the PEP for its general liability and property and casualty insurance coverage. The pool reinsures through commercial insurance companies.

The Town has not had claims in excess of insurance coverage during the last three years.

(9) Commitments and Contingencies

Litigation:

The Town is named as defendant in various suits and claims the outcome of which, in the opinion of management, upon advice of legal counsel, will not materially affect the Town's financial position.

Grants:

Amounts received from Grantor agencies are subject to audit and adjustment by Grantor agencies, principally the Federal government. Any disallowed claims including amounts already collected, could become a liability of the applicable fund.

REQUIRED
SUPPLEMENTARY
INFORMATION

TOWN OF KINGSTON SPRINGS, TENNESSEE

Schedule of Required Supplementary Information

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS

Last Fiscal Year ending June 30

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total pension liability (asset)										
Service cost	\$ 54,241	\$ 49,156	\$ 47,679	\$ 56,675	\$ 59,481	\$ 66,089	\$ 75,420	\$ 80,649	\$ 91,880	\$ 88,329
Interest	\$ 81,686	\$ 95,124	\$ 100,013	\$ 121,364	\$ 129,890	\$ 138,275	\$ 151,295	\$ 179,129	\$ 200,368	\$ 228,551
Changes in benefit terms	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Differences between actual & expected experience	\$ 64,162	\$ (43,442)	\$ 182,048	\$ (39,244)	\$ (52,734)	\$ 14,930	\$ 178,213	\$ 118,668	\$ 219,476	\$ 207,184
Change of assumptions	\$ -	\$ -	\$ 34,378	\$ -	\$ -	\$ -	\$ 224,398	\$ -	\$ -	\$ -
Benefit payments, including refunds of employee contributions	\$ (4,768)	\$ (26,869)	\$ (41,504)	\$ (23,754)	\$ (24,252)	\$ (30,918)	\$ (67,156)	\$ (68,097)	\$ (81,949)	\$ (99,335)
Net change in total pension liability (asset)	\$ 195,321	\$ 73,969	\$ 322,614	\$ 115,041	\$ 112,385	\$ 188,376	\$ 562,170	\$ 310,349	\$ 429,775	\$ 424,729
Total pension liability (asset)-beginning	\$ 1,037,283	\$ 1,232,604	\$ 1,306,573	\$ 1,629,187	\$ 1,744,228	\$ 1,856,613	\$ 2,044,989	\$ 2,607,159	\$ 2,917,508	\$ 3,347,283
Total pension liability (asset)-ending (a)	\$ 1,232,604	\$ 1,306,573	\$ 1,629,187	\$ 1,744,228	\$ 1,856,613	\$ 2,044,989	\$ 2,607,159	\$ 2,917,508	\$ 3,347,283	\$ 3,772,012
Plan fiduciary net position										
Contributions-employer	\$ 41,550	\$ 39,363	\$ 35,726	\$ 34,278	\$ 43,621	\$ 51,497	\$ 56,864	\$ 59,854	\$ 102,679	\$ 118,836
Contributions-employee	\$ 29,594	\$ 28,036	\$ 8,653	\$ 27,249	\$ 29,922	\$ 35,319	\$ 39,002	\$ 41,052	\$ 45,514	\$ 52,676
Net investment income	\$ 39,087	\$ 36,095	\$ 181,772	\$ 134,353	\$ 133,678	\$ 98,227	\$ 546,773	\$ (103,120)	\$ 177,482	\$ 281,684
Benefit payments, including refunds of employee contributions	\$ (4,768)	\$ (26,869)	\$ (41,504)	\$ (23,754)	\$ (24,252)	\$ (30,918)	\$ (67,156)	\$ (68,097)	\$ (81,949)	\$ (99,335)
Administrative expense	\$ (751)	\$ (965)	\$ (1,018)	\$ (1,144)	\$ (1,155)	\$ (1,315)	\$ (1,390)	\$ (1,648)	\$ (1,482)	\$ (1,849)
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in plan fiduciary net position	\$ 104,712	\$ 75,660	\$ 183,629	\$ 170,982	\$ 181,814	\$ 152,810	\$ 574,093	\$ (71,959)	\$ 242,244	\$ 352,012
Plan fiduciary net position-beginning	\$ 1,236,265	\$ 1,340,977	\$ 1,416,637	\$ 1,600,266	\$ 1,771,248	\$ 1,953,062	\$ 2,105,872	\$ 2,679,965	\$ 2,608,006	\$ 2,850,250
Plan fiduciary net position-ending (b)	\$ 1,340,977	\$ 1,416,637	\$ 1,600,266	\$ 1,771,248	\$ 1,953,062	\$ 2,105,872	\$ 2,679,965	\$ 2,608,006	\$ 2,850,250	\$ 3,202,262
Net Pension Liability (asset)-ending (a) - (b)	\$ (108,373)	\$ (110,064)	\$ 28,921	\$ (27,020)	\$ (96,449)	\$ (60,883)	\$ (72,806)	\$ 309,502	\$ 497,033	\$ 569,750
Plan fiduciary net position as a percentage of total pension liability	108.79%	108.42%	98.22%	101.55%	105.19%	102.98%	102.79%	89.39%	85.15%	84.90%
Covered payroll	\$ 591,882	\$ 560,729	\$ 573,073	\$ 544,966	\$ 598,440	\$ 706,396	\$ 780,027	\$ 821,047	\$ 910,271	\$ 1,053,511
Net pension liability (asset) as a percentage of covered payroll	-18.31%	-19.63%	5.05%	-4.96%	16.12%	-8.62%	-9.33%	37.70%	54.60%	54.08%

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

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

Schedule of Contributions Based on Participation in the
Public Employee Pension Plan of TCRS

For the Year Ended June 30, 2025

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Actuarially determined contribution	39,363	35,726	28,120	47,418	42,949	47,426	49,920	102,679	118,836	183,659
Contributions in relation to the actuarially determined contribution	<u>36,363</u>	<u>35,726</u>	<u>34,278</u>	<u>47,418</u>	<u>51,497</u>	<u>56,864</u>	<u>59,854</u>	<u>102,679</u>	<u>118,836</u>	<u>183,659</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>(\$6,158)</u>	<u>\$0</u>	<u>(\$8,548)</u>	<u>(\$9,438)</u>	<u>(\$9,934)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered-employee payroll	<u>560,729</u>	<u>573,073</u>	<u>544,966</u>	<u>650,449</u>	<u>706,396</u>	<u>780,027</u>	<u>821,047</u>	<u>910,271</u>	<u>1,053,511</u>	<u>1,159,719</u>
Contributions as a percentage covered-employee payroll	7.00%	6.29%	6.29%	7.29%	7.29%	7.29%	7.29%	11.28%	11.28%	11.28%

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

Notes to Schedule

Valuation date: Actuarially determined contribution rates for fiscal year 2025 were calculated based on the June 30, 2023 actuarial valuation.

Methods and assumptions used to determine contribution rates:

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

Changes of assumptions. In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth; graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Schedule of Required Supplementary Information - OPEB

Schedule of Changes in Total OPEB Liability and Related Ratios - LGOP

Measurement Year ending June 30

	2021	2022	2023	2024	2025
Total OPEB Liability					
Service Cost	\$ 3,962	\$ 5,354	\$ 3,707	\$ 2,642	\$ 3,375
Interest on the Total OPEB Liability	\$ 1,379	\$ 976	\$ 680	\$ 768	\$ 1,247
Change in Benefit Terms	\$ -	\$ -	\$ -	\$ -	\$ -
Difference between expected and actual experience of the Total OPEB Liability	\$ (5,541)	\$ (2,639)	\$ (564)	\$ (684)	\$ (656)
Changes in assumptions and other inputs	\$ 4,067	\$ (14,389)	\$ (12,371)	\$ 9,132	\$ 5,276
Benefit payments	\$ (446)	\$ (311)	\$ (309)	\$ (102)	\$ (95)
Net change in Total OPEB Liability	<u>\$ 3,421</u>	<u>\$ (11,009)</u>	<u>\$ (8,857)</u>	<u>\$ 11,756</u>	<u>\$ 9,147</u>
Total OPEB Liability - Beginning	<u>\$ 35,537</u>	<u>\$ 38,958</u>	<u>\$ 27,949</u>	<u>\$ 19,092</u>	<u>\$ 30,848</u>
Total OPEB Liability - Ending	<u><u>\$ 38,958</u></u>	<u><u>\$ 27,949</u></u>	<u><u>\$ 19,092</u></u>	<u><u>\$ 30,848</u></u>	<u><u>\$ 39,995</u></u>
Estimated Covered - Employee Payroll	\$362,254	\$355,784	\$732,404	\$870,920	\$1,159,719
Total OPEB Liability as a Percentage of Covered- Employee Payroll	10.75%	7.86%	2.61%	3.54%	3.45%

Notes to Schedule

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

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

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

SUPPLEMENTAL
INFORMATION

TOWN OF KINGSTON SPRINGS, TENNESSEE

Capital Assets Used in the Operation of the Governmental Funds

Schedule of Capital Assets Activity

June 30, 2025

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land	441,106	0	0	441,106
Building improvements	857,183	14,000	0	871,183
Improvements other than buildings	1,077,208	47,138	0	1,124,346
Infrastructure	11,903,391	540,277	0	12,443,668
Equipment and vehicles	<u>2,808,227</u>	<u>299,477</u>	<u>0</u>	<u>3,107,704</u>
Total capital assets	<u>17,087,115</u>	<u>900,892</u>	<u>0</u>	<u>17,988,007</u>

TOWN OF KINGSTON SPRINGS, TENNESSEE

Schedule of Cash and Cash Equivalents and Certificate of Deposits
All Funds

June 30, 2025

	<u>Carrying Value</u>
General Fund:	
Demand deposits	\$3,866,571
Total General Fund	<u>3,866,571</u>
Adequate Facilities Fund:	
Demand deposits	53,503
Total State Street Aid Fund	<u>53,503</u>
Drug Fund:	
Demand deposits	104,794
Total Fire Department Fund	<u>104,794</u>
Sewer Fund:	
Demand deposits	<u>849,000</u>
Total Sewer Fund	<u>849,000</u>
Total - All funds	<u><u>\$4,873,868</u></u>

TOWN OF KINGSTON SPRINGS, TENNESSEE

Schedule of Changes in Property Taxes Receivable

For the Year Ended June 30, 2025

<u>Tax Year</u>	<u>Balance July 1, 2024</u>	<u>Levy</u>	<u>Collections and Changes in Assessment</u>	<u>Balance June 30, 2025</u>
2025	\$ -	919,189	0	919,189
2024	810,000	22,354	814,839	17,515
2023	17,096	0	11,327	5,769
2022	9,086	0	4,152	4,934
2021	3,398	0	2,312	1,086
2020	2,764	0	2,170	594
2019	1,628	0	1,125	503
2018	593	0	167	426
2017	84	0	29	55
2016	268	0	28	240
2015	93	0	93	0
	<u>\$845,010</u>	<u>941,543</u>	<u>836,242</u>	<u>950,311</u>

<u>Tax Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Adjustment and Collections</u>	<u>Outstanding Delinquent Taxes</u>
2025	.57	919,189	0	919,189
2024	.5204	832,354	814,839	17,515
2023	.82	766,697	760,928	5,769
2022	.75	766,697	761,763	4,934
2021	.72	715,295	714,209	1,086
2020	.72	705,712	705,118	594
2019	.70	675,015	674,512	503
2018	.84	645,593	645,167	426
2017	.82	625,980	625,925	55
2016	.7983	595,074	594,834	240
2015	.91	605,150	605,150	0

All delinquent taxes have been filed.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Schedule of Debt Service Requirements - General Obligation

June 30, 2025

Year	FIRE LOAN		TMBF - 12 Year		TMBF - GO CON 12 Year		TOTALS	TOTALS
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 43,000	10,402	29,100	6,121	19,300	5,283	91,400	21,806
2027	44,000	9,154	29,700	5,460	19,900	4,725	93,600	19,339
2028	46,000	8,056	30,400	4,784	20,500	4,149	96,900	16,989
2029	47,000	5,842	31,100	4,092	21,000	3,558	99,100	13,492
2030	48,000	3,900	31,800	3,384	21,600	2,952	101,400	10,236
2031	50,000	1,500	32,500	2,661	22,200	2,328	104,700	6,489
2032			33,200	1,922	22,900	1,685	56,100	3,607
2033			34,000	1,165	23,500	1,024	57,500	2,189
2034			34,800	392	24,200	345	59,000	737
	\$ <u>278,000</u>	<u>38,854</u>	<u>286,600</u>	<u>29,981</u>	<u>195,100</u>	<u>26,049</u>	<u>759,700</u>	<u>94,884</u>

TOWN OF KINGSTON SPRINGS, TENNESSEE

Schedule of Debt Service Requirements - Sewer Fund

June 30, 2025

<u>Year</u>	SEWER SYSTEM REVENUE & TAX CAPITAL LOAN		TOTALS	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 88,000	13,980	88,000	13,980
2027	91,000	11,340	91,000	11,340
2028	93,000	8,610	93,000	8,610
2029	96,000	5,820	96,000	5,820
2030	98,000	2,940	98,000	2,940
	<u>\$ 466,000</u>	<u>42,690</u>	<u>466,000</u>	<u>42,690</u>

TOWN OF KINGSTON SPRINGS, TENNESSEE

Schedule of Changes in Long-term Debt by Individual Issue

June 30, 2025

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2024	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2025
Business-Type Activities									
Capital Outlay Note									
Sewer System Revenue & Tax	\$ 1,014,795	2.97%	11/28/2017	11/1/2029	\$ 552,000	\$ -	\$ 86,000	\$ -	\$ 466,000
Total Notes Payable					\$ 552,000	\$ -	\$ 86,000	\$ -	\$ 466,000
Governmental Activities									
Capital Outlay Notes and Bonds									
Fire Loan	\$ 498,704	3.96%	8/1/2018	8/1/2030	\$ 319,000	\$ -	\$ 41,000	\$ -	\$ 278,000
TMBF - 12 Year	370,000	2.25%	2022	12/1/2033	\$ 315,000	\$ -	\$ 28,400	\$ -	\$ 286,600
TMBF - GO CON 12 Year	250,000	2.85%	2022	4/1/2034	\$ 213,900	\$ -	\$ 18,800	\$ -	\$ 195,100
Total Notes and Bonds Payable					\$ 847,900	\$ -	\$ 88,200	\$ -	\$ 759,700

TOWN OF KINGSTON SPRINGS, TENNESSEE

Schedule of Utility Rates

June 30, 2025

Sewer Rates

Base	\$44.00 Minimum charge, includes first 1,000 gallons
1,001-12,000 gallons	\$11.00 per 1,000 gallons
12,001 and above	\$15.40 per 1,000 gallons

Number of customers: approximately 800

TOWN OF KINGSTON SPRINGS, TENNESSEE

Schedule of Federal and State Financial Assistance

For the Year Ended June 30, 2025

Assistance Listing Number	State Grant Number	Program Name	Grantor Agency	Receivable (Deferred) Balance July 1, 2024	Grant Receipts	Other Receipts	Grant Expenditures	Receivable (Deferred) Balance June 30, 2025
State Program								
N/A	AG123-FM-15	Farmers Market	Tennessee Department of Agriculture	\$1,500	3,000	\$0	1,500	0
N/A	77241-VCIF	Violent Crimes Intervention Fund	Tennessee Department of Transportation	\$13,905	13,905	\$0	0	0
N/A	33501-252440	Rescue Squad	State of Tennessee Department of Finance and Administration	\$0	11,000	\$0	11,000	0
N/A	11LPLM-S1-015	Safe Routes to School Grant	State of Tennessee Department of Transportation	\$64,294	521,908	\$0	457,614	0
N/A	11LPLM-F3-017	Transportation Alternatives	State of Tennessee Department of Transportation	\$0	945	\$0	4,726	3,781
Total State Grants				\$79,699	\$550,758	\$0	\$474,840	\$3,781
Federal Program								
97.036	N/A	Diaster Assistance	Federal Emergency Management thru the State of Tennessee Emergency Management	\$0	64,925	0	64,925	\$0
20.205	11PLM-S3-012	Multimodal Streetscape Program	US Department of Transportation thru the State of Tennessee Department of Transportation	\$0	240,917	0	240,917	\$0
21.027	N/A	American Rescue Plan Act	US Department of Treasury thru the State of Tennessee TDEC	\$0	37,678	0	37,678	\$0
21.027	N/A	American Rescue Plan Act	US Department of Treasury thru the State of Tennessee	(\$109,138)	0	0	0	(\$109,138)
Total Federal Programs				(109,138)	343,520	0	343,520	(109,138)
Total State and Federal Programs				(29,439)	894,278	0	818,360	(105,357)

This schedule prepared on the accrual basis of accounting.

COMPLIANCE AND INTERNAL CONTROL

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 Commissioners
Town of Kingston Springs, Tennessee
Kingston Springs, Tennessee

I have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, and each major fund as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town of Kingston Springs' basic financial statements, and have issued a report thereon dated October 31, 2025.

Report on Internal Control Over Financial Reporting

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

My consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2025-001, that I consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Kingston Springs' 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 the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Kingston Springs' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Kingston Springs' response to the finding identified in my audit and described in the accompanying Schedule of Findings and Responses. The Town of Kingston Springs' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result 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.

Jeh R Poole, CPA

October 31, 2025

TOWN OF KINGSTON SPRINGS, TENNESSEE

Schedule of Findings and Responses

June 30, 2025

2025-001 - Separation of Duties

Condition: The Town of Kingston Springs currently has a few employees that work in performing the majority of the accounting functions for the Town. Due to having a few employees performing the accounting transactions there is currently an inadequate segregation of duties.

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal accounting controls are effective.

Cause: The Town has a limited number of office employees to provide for a proper division of duties.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner along with the possibility of fraud or misappropriation of assets increases when accounting functions are not adequately segregated.

Recommendation: For adequate separation of duties, the employee who writes receipts, prepares and makes bank deposits, or writes checks should neither reconcile bank statements nor post to the cash receipts and disbursements journals.

Response: "We agree that the staff size will not allow the Town to segregate duties to the optimum level desired. There are minimal employees working in the department so it is virtually impossible to segregate duties unless more staff could be hired and due to the finances of our small town, we could not financially hire additional office help."

TOWN OF KINGSTON SPRINGS, TENNESSEE

Schedule of Disposition of Prior Year Comments

June 30, 2025

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2024-001	Separation of Duties	Repeated

The original finding number was 1998-001. The current finding number is 2025-001.



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Management's Corrective Action Plan

Audit period: June 30, 2025

The findings from the June 30, 2025, *Schedule of Findings and Responses* are discussed below.

2025-001 Segregation of Duties (Internal Control).

Contact Person: Kellie Reed

Planned Corrective Action: It is not economically feasible at this time to hire a sufficient number of people to adequately separate the duties. The Board of Commissioners continues to monitor our finances and internal control.

Anticipated Completion Date: At the current time, due to our size, we do not believe we can fully segregate these duties. We will continue to improve and strengthen our internal controls, but we cannot give a definite date.

Respectfully,

A handwritten signature in cursive script that reads "Kellie Reed".

Kellie Reed CMFO, CMC
Financial Director