

CITY OF CALHOUN, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2023

CITY OF CALHOUN, TENNESSEE

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CITY OF CALHOUN, TENNESSEE

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INTRODUCTORY SECTION

CITY OF CALHOUN, TENNESSEE

Officials of the City of Calhoun, Tennessee

June 30, 2023

Name

Title

Elected Officials:

John Walker

Mayor

James Duffy

Vice Mayor

Victor Gregory

Commissioner

Dennis Goodine

Commissioner

Evan Thomas

Commissioner

Management:

Joe Bryan

City Manager

Rebecca Jones

City Recorder, CMFO Designee

FINANCIAL SECTION

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

Independent Auditor's Report

Mayor and Board of Commissioners of the
City of Calhoun, Tennessee
Calhoun, Tennessee

Report on the Audit of the Financial Statements

Opinions

I have audited the financial statements of the governmental activities and each major fund of the City of Calhoun, Tennessee (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City, as of June 30, 2023, and the respective changes in financial position and the respective budgetary comparison for the General Fund, State Street Aid Fund, Drug Fund, and the Solid Waste Fund for the year then ended and, 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 City 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 City'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 City'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 City'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, 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 us 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 City'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 December 11, 2023, on my consideration of the City'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 City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Jh R Poole, CPA

December 11, 2023

MANAGEMENT'S
DISCUSSION AND
ANALYSIS

CITY OF CALHOUN, TENNESSEE

Management's Discussion and Analysis

As management of the City of Calhoun, Tennessee (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the City. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

Financial Highlights:

The assets of the City of Calhoun exceeded its liabilities at the close of the most recent fiscal year by \$464,069. Of this amount, \$204,394 (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 \$5,452, even as the City had lower revenues of \$40,639 in the current year than the prior year.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$226,027, a decrease of \$29,777 in comparison to the prior year. The decrease was due to lower revenues received in the current year combined with increased expenses due to increased capital asset purchases. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$191,724 or 37% of the total general fund expenditures. A further analysis of governmental revenues and governmental expenses is included in this Management's Discussion and Analysis.

Overview of the Financial Statements

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

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

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

The Statement of Activities presents information showing how the government's net 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 City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Calhoun include general government, personnel, finance, parks, planning, police, fire, disposal service, streets and public works. The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated from specific activities or objectives. The City of Calhoun, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are governmental funds.

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 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 balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several 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 balance for the general fund which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Calhoun 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 governmental fund financial statements can be found on pages 14-23 of this report.

Notes to the financial statements. 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 24-34 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 City of Calhoun, assets exceeded liabilities by \$464,069 at the close of the most recent fiscal year.

By far the largest portion of the City's assets reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure) less any related debt use to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to 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

City of Calhoun's Net position - 2023

	Governmental <u>Activities</u>
Current and other assets	\$ 410,677
Capital assets	<u>272,754</u>
Total assets	683,431
Long-term debt	47,382
Other liabilities	<u>15,904</u>
Total liabilities	63,286
Deferred inflows	<u>156,076</u>
Net position:	
Net investment in capital assets	225,372
Restricted	34,303
Unrestricted	<u>204,394</u>
Total net position	\$ 464,069

City of Calhoun's Net position - 2022

	Governmental <u>Activities</u>
Current and other assets	\$ 407,375
Capital assets	<u>215,423</u>
Total assets	622,798
Long-term debt	27,758
Liabilities	<u>16,245</u>
Total liabilities	44,003
Deferred inflows	120,178
Net position:	
Net investment in capital assets	187,665
Restricted	38,850
Unrestricted	<u>232,102</u>
Total net position	\$ 458,617

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

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

Governmental Funds

The focus of the City of Calhoun's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements 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 City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$191,724. 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 37% of total general fund expenditures.

Comparison of revenues and expenses

	2023 Governmental <u>Activities</u>	2022 Governmental <u>Activities</u>	Change Between <u>Years</u>
Revenues:			
Program revenues:			
Charges for services	207,090	285,471	(78,381)
Operating grants and contributions	29,872	53,705	(23,833)
Capital grants and contributions	72,430	0	72,430
General revenues:			
Property taxes	49,974	51,922	(1,948)
Sales taxes	133,819	141,534	(7,715)
Other local taxes	3,395	3,973	(578)
Other	2,895	3,509	(614)
Total revenues	<u>499,475</u>	<u>540,114</u>	<u>(40,639)</u>
Expenses:			
General government	133,890	90,526	43,364
Police department	145,885	179,702	(33,817)
Library	43,637	41,838	1,799
Fire department	27,842	34,318	(6,476)
Sanitation	16,497	16,923	(426)
Highways and streets	126,272	94,524	31,748
Total expenses	<u>494,023</u>	<u>457,831</u>	<u>36,192</u>
Increases in net position	<u>5,452</u>	<u>82,283</u>	<u>(76,831)</u>

General Fund Budgetary Highlights

The City maintained its budgeted expenditures. See pages 18-23 for further detailed information.

Capital Assets

The City of Calhoun's investment in capital assets from its governmental activities at June 30, 2023, amounts to \$272,754 (net of accumulated depreciation). This investment in capital assets is in land, buildings, improvements, machinery and equipment.

City of Calhoun's Capital Assets - 2023

Land	\$ 5,500
Buildings	182,305
Land improvements	171,254
Equipment	<u>561,807</u>
Less accumulated depreciation	(648,112)
Net Capital Assets	<u>\$ 272,754</u>

City of Calhoun's Capital Assets - 2022

Land	\$ 5,500
Buildings	182,305
Land improvements	134,254
Equipment	<u>498,054</u>
Less accumulated depreciation	(604,690)
Net Capital Assets	<u>\$ 215,423</u>

Additional information on the City of Calhoun's capital assets can be found in the notes to the financial statements section of this report.

Long-term Debt

The City has a total of \$47,382 in long term debt related to borrowings for police vehicles and paid off an outstanding settlement payable related to a lawsuit settlement. The City paid \$15,376 to reduce outstanding loan balances

Economic Factors and Next Year's Budget and Rates

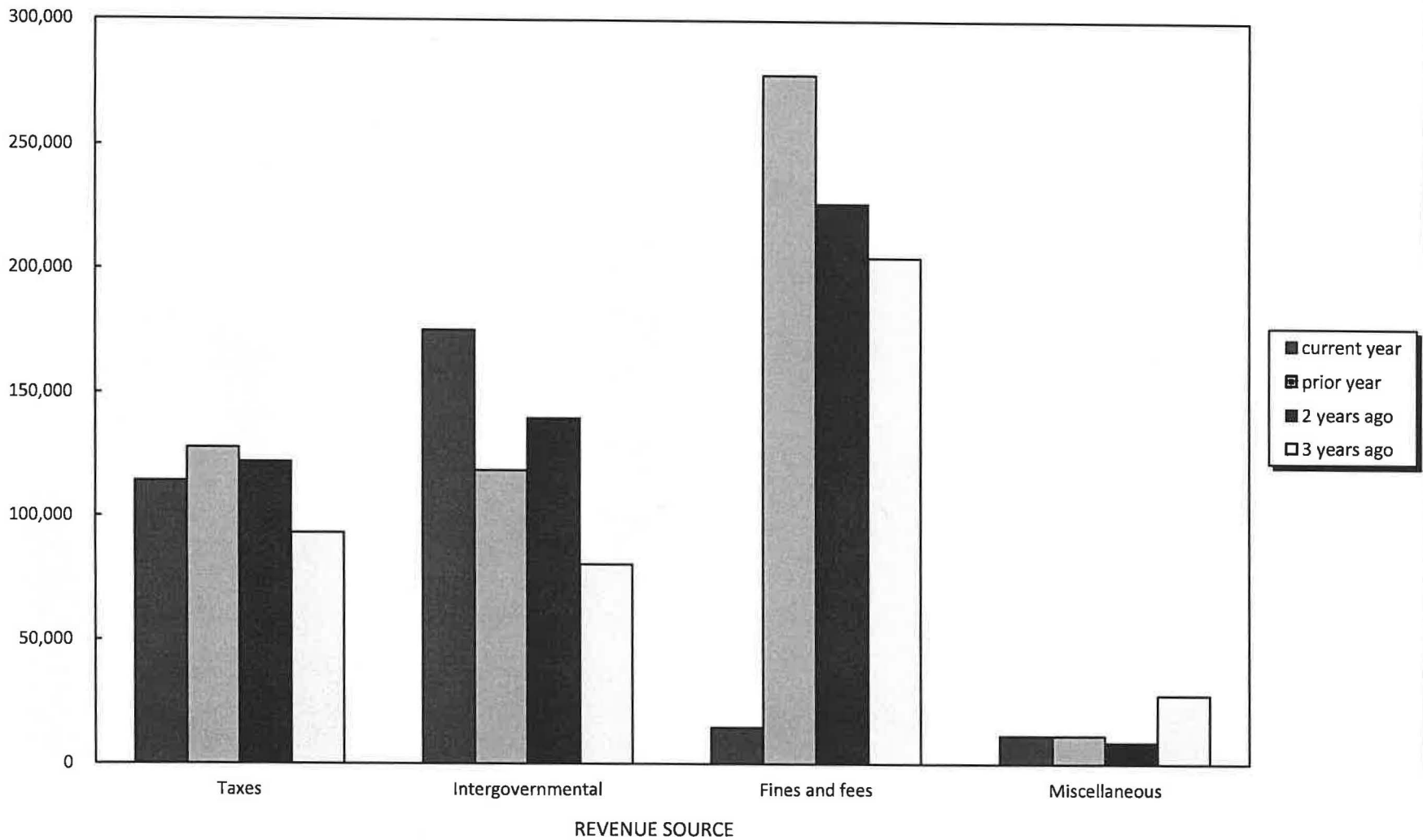
In the 2023-2024 budget, non-grant revenues are budgeted to be steady from the 2022-2023 budget year due to stable sales tax revenues with a higher collection percentage of property taxes. All of these factors were considered in preparing the City's budget for the 2023-2024 fiscal year.

Requests for Information

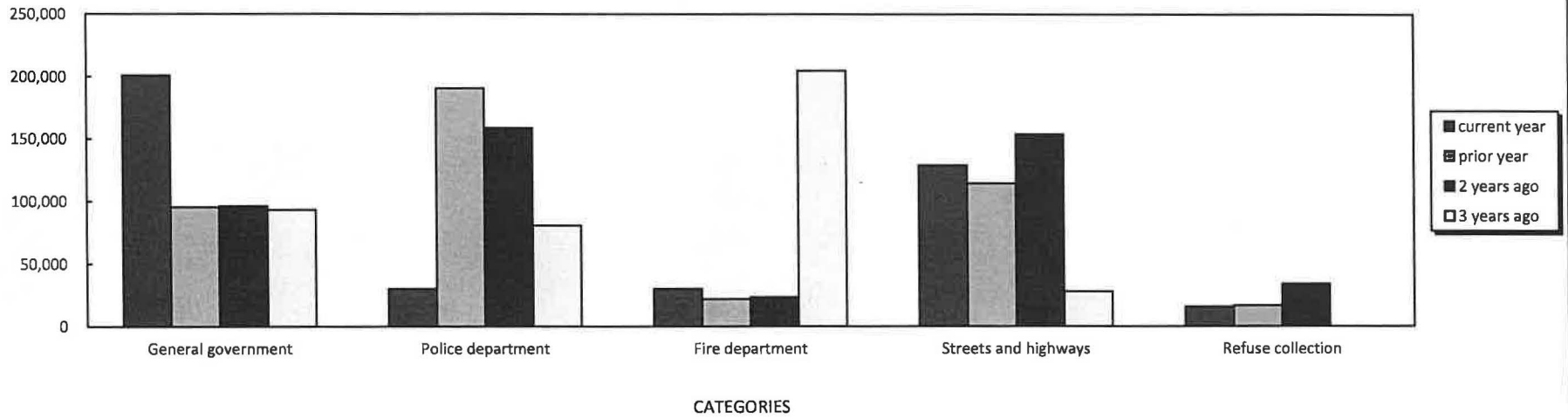
This financial report is designed to provide a general overview of the City of Calhoun, Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed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

Rebecca Jones, City of Calhoun

CITY OF CALHOUN, TENNESSEE
GOVERNMENTAL FUND REVENUES



CITY OF CALHOUN, TENNESSEE
GOVERNMENTAL FUND EXPENDITURES



BASIC FINANCIAL STATEMENTS

CITY OF CALHOUN, TENNESSEE

Statement of Net Position

June 30, 2023

	<u>Governmental Activities</u>	<u>Total</u>
Assets		
Cash and cash equivalents	\$296,457	296,457
Accounts receivable	114,220	114,220
Capital assets not being depreciated	5,500	5,500
Capital assets, net of accumulated depreciation	267,254	267,254
Total Assets	<u>\$683,431</u>	<u>\$683,431</u>
Liabilities, Deferred Inflows, and Net Position		
<u>Liabilities:</u>		
Accounts payable	15,904	15,904
Long-term liabilities:		
Due within one year	12,283	12,283
Due in more than one year	35,099	35,099
Total Liabilities	<u>\$63,286</u>	<u>\$63,286</u>
Deferred Inflows:		
Deferred inflow of resources - unspent grant funds	111,076	111,076
Deferred inflow of resources - property taxes	45,000	45,000
Total Deferred Inflows	<u>\$156,076</u>	<u>\$156,076</u>
Net Position:		
Net investment in capital assets	225,372	225,372
Restricted		
State street aid	11,637	11,637
Solid waste fund	21,862	21,862
Drug fund	804	804
Unrestricted	204,394	204,394
Total Net Position	<u>\$464,069</u>	<u>\$464,069</u>

See accompanying notes to financial statements.

CITY OF CALHOUN, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2023

Function/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Government Activities:						
General government	133,890	8,645	0	72,430	(52,815)	(52,815)
Police department	145,885	179,482	0	0	33,597	33,597
Library	43,637	3,151	10,206	0	(30,280)	(30,280)
Fire department	27,842	0	0	0	(27,842)	(27,842)
Highways and streets	126,272	0	19,666	0	(106,606)	(106,606)
Solid waste	16,497	15,812	0	0	(685)	(685)
Total Governmental Activities	<u>494,023</u>	<u>207,090</u>	<u>29,872</u>	<u>72,430</u>	<u>(184,631)</u>	<u>(184,631)</u>
General Revenues						
Property taxes					41,708	41,708
Public utility taxes					8,266	8,266
Sales taxes					133,819	133,819
Beer taxes					245	245
Business taxes					3,150	3,150
Other					2,895	2,895
Total general revenues					<u>190,083</u>	<u>190,083</u>
Changes in net position					<u>5,452</u>	<u>5,452</u>
Net Position - beginning of year					458,617	458,617
Net Position - ending of year					<u>464,069</u>	<u>464,069</u>

See accompanying notes to financial statements.

FUND FINANCIAL
STATEMENTS

CITY OF CALHOUN, TENNESSEE

Balance Sheet

Governmental Funds

June 30, 2023

	<u>General Fund</u>	<u>Drug Fund</u>	<u>Solid Waste Fund</u>	<u>State Street Aid Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Cash and cash equivalents	<u>\$261,761</u>	<u>\$804</u>	<u>\$24,293</u>	<u>\$9,599</u>	<u>\$296,457</u>
Accounts receivable					
Due from other governments	18,053	0	0	3,347	21,400
Grants receivable	35,150	0	0	0	35,150
Property taxes	<u>57,670</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>57,670</u>
	<u>110,873</u>	<u>0</u>	<u>0</u>	<u>3,347</u>	<u>114,220</u>
Total Asset	<u>372,634</u>	<u>804</u>	<u>24,293</u>	<u>12,946</u>	<u>410,677</u>
<u>Liabilities, Deferred Inflow and Fund Balance</u>					
Liabilities:					
Accounts payable	<u>12,164</u>	<u>0</u>	<u>2,431</u>	<u>1,309</u>	<u>15,904</u>
Total Liabilities	<u>12,164</u>	<u>0</u>	<u>2,431</u>	<u>1,309</u>	<u>15,904</u>
Deferred Inflow of Resources:					
Deferred inflows - current property taxes	45,000	0	0	0	45,000
Deferred inflows - delinquent property taxes	12,670	0	0	0	12,670
Deferred inflows - unspent grant funds	<u>111,076</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>111,076</u>
Total Deferred Inflow of Resources	<u>168,746</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>168,746</u>
Fund balance:					
Unassigned	191,724	0	0	0	191,724
Restricted	0	804	21,862	11,637	34,303
Total Fund Balance	<u>191,724</u>	<u>804</u>	<u>21,862</u>	<u>11,637</u>	<u>226,027</u>
Total Liabilities, Deferred Inflow and Fund Balance	<u>\$372,634</u>	<u>\$804</u>	<u>\$24,293</u>	<u>\$12,946</u>	<u>\$410,677</u>

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

CITY OF CALHOUN, TENNESSEE

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

June 30, 2023

Amounts reported for fund balance - total governmental funds	\$ 226,027
Amounts reported for governmental activities in the statement of net position are different because:	
Other long term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds	12,670
Long-term liabilities, such as settlements payable are not due and payable in the current period and therefore are not recorded in the funds	
Loans payable	(47,382)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	<u>272,754</u>
Net position of governmental activities	\$ <u><u>464,069</u></u>

See accompanying notes to financial statements.

CITY OF CALHOUN, TENNESSEE

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

For the Year Ended June 30, 2023

	General Fund	State Street Aid Fund	Drug Fund	Solid Waste Fund	Total
Revenues:					
Taxes	114,153	0	0	0	114,153
Intergovernmental	155,671	19,666	0	0	175,337
Fines and fees	179,482	0	0	15,812	195,294
Miscellaneous	14,691	0	0	0	14,691
Total Revenues	463,997	19,666	0	15,812	499,475
Expenditures:					
Current:					
General government	118,439	0	0	0	118,439
Library	43,637	0	0	0	43,637
Police department	126,688	0	0	0	126,688
Fire department	19,675	0	0	0	19,675
Solid waste	0	0	0	15,742	15,742
Highway and streets	95,517	24,283	0	0	119,800
Capital outlay					
General government	37,000	0	0	0	37,000
Police department	44,253	0	0	0	44,253
Fire department	10,500	0	0	0	10,500
Highway and streets	9,000	0	0	0	9,000
Debt Service					
Principal	13,376	0	0	0	13,376
Interest	4,142	0	0	0	4,142
Settlement:					
Principal	2,000	0	0	0	2,000
Interest	0	0	0	0	0
Total Expenditures	524,227	24,283	0	15,742	564,252
Excess (deficiency) of revenues over expenditures	(60,230)	(4,617)	0	70	(64,777)
Other operating sources: loan proceeds	35,000	0	0	0	35,000
Net change in fund balance	(25,230)	(4,617)	0	70	(29,777)
Fund Balance, Beginning of year	216,954	16,254	804	21,792	255,804
Fund Balance, End of Year	191,724	11,637	804	21,862	226,027

See accompanying notes to financial statements.

CITY OF CALHOUN, 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, 2023

Net change in fund balances - total governmental funds:	\$	(29,777)
Amounts reported for governmental activities in the statement of net position are different because:		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(2,478)
Expenses reported in the statement of activities that reduce (increase) long-term liabilities		
Repayment of settlement payable		2,000
Repayment of loans payable		13,376
Revenues reported in the statement of activities that increase long-term liabilities		(35,000)
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		100,753
Depreciation expense		<u>(43,422)</u>
Change in net position of governmental activities	\$	<u>5,452</u>

See accompanying notes to financial statements.

CITY OF CALHOUN, TENNESSEE

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

General Fund

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes:				
Property taxes	\$45,000	\$45,000	\$41,708	(3,292)
Local option sales taxes	75,000	75,000	69,295	(5,705)
Franchise and business taxes	3,000	3,000	3,150	150
Total Taxes	<u>123,000</u>	<u>123,000</u>	<u>114,153</u>	<u>(8,847)</u>
Intergovernmental:				
State sales tax	50,400	50,400	64,524	14,124
State beer tax	250	250	245	(5)
Grants	51,500	61,500	72,430	10,930
Library - county funds	10,000	10,000	10,206	206
Payment in lieu of tax - TVA	5,000	5,000	8,266	3,266
Total Intergovernmental Revenue	<u>117,150</u>	<u>127,150</u>	<u>155,671</u>	<u>28,521</u>
Fines and Fees:				
Traffic fines	200,000	200,000	179,482	(20,518)
Total Fines and Fees	<u>200,000</u>	<u>200,000</u>	<u>179,482</u>	<u>(20,518)</u>
Miscellaneous:				
Library revenues	1,400	1,400	3,151	1,751
Sale of assets	4,000	4,000	0	(4,000)
Festival	4,000	4,000	8,645	4,645
Miscellaneous	7,000	7,000	2,895	(4,105)
Total Miscellaneous	<u>16,400</u>	<u>16,400</u>	<u>14,691</u>	<u>(1,709)</u>
Total Revenues	<u>456,550</u>	<u>466,550</u>	<u>463,997</u>	<u>(2,553)</u>

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

CITY OF CALHOUN, TENNESSEE

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

General Fund

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures:				
General Government:				
Current:				
Personnel costs	29,200	29,200	41,605	(12,405)
Supplies	2,000	2,000	6,473	(4,473)
Repair and maintenance	1,000	1,000	1,136	(136)
Meadowlands	12,850	12,850	25,663	(12,813)
Professional services	13,800	13,800	14,897	(1,097)
Grant expenses	0	10,000	16,823	(6,823)
Lawsuit settlement	0	0	2,000	(2,000)
Insurance	3,430	3,430	3,430	0
Utilities	4,300	4,300	4,057	243
Community fund	2,400	2,400	2,266	134
Animal shelter	2,000	2,000	2,089	(89)
Miscellaneous	1,500	1,500	0	1,500
	<u>72,480</u>	<u>82,480</u>	<u>120,439</u>	<u>(37,959)</u>
Capital outlay	0	0	37,000	37,000
Total General Government	<u>72,480</u>	<u>82,480</u>	<u>157,439</u>	<u>(959)</u>
Library:				
Current:				
Personnel costs	21,500	21,500	23,064	(1,564)
Supplies	8,700	8,700	8,842	(142)
Utilities	7,350	7,350	7,646	(296)
Insurance	4,085	4,085	4,085	0
Miscellaneous	0	0	0	0
	<u>41,635</u>	<u>41,635</u>	<u>43,637</u>	<u>(2,002)</u>
Capital outlay	0	0	0	0
Total Library	<u>41,635</u>	<u>41,635</u>	<u>43,637</u>	<u>(2,002)</u>
Street department:				
Current:				
Personnel costs	49,200	49,200	62,112	(12,912)
Supplies	7,500	7,500	18,106	(10,606)
Repair and maintenance	30,000	30,000	0	30,000
Insurance	16,260	16,260	15,299	961
Miscellaneous	0	0	0	0
	<u>102,960</u>	<u>102,960</u>	<u>95,517</u>	<u>7,443</u>
Capital outlay	0	0	9,000	(9,000)
Total Street Department	<u>102,960</u>	<u>102,960</u>	<u>104,517</u>	<u>(1,557)</u>

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

CITY OF CALHOUN, TENNESSEE

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

General Fund

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Expenditures:				
Police department:				
Current:				
Personnel costs	130,500	130,500	95,421	35,079
Supplies	8,500	8,500	1,702	6,798
Utilities	600	600	280	320
E-911	5,590	5,590	4,975	615
Auto expense	11,500	11,500	5,744	5,756
Insurance	27,350	27,350	18,536	8,814
Miscellaneous	15,500	15,500	30	15,470
	<u>199,540</u>	<u>199,540</u>	<u>126,688</u>	<u>72,852</u>
Debt Service	19,800	19,800	17,518	2,282
Capital outlay	25,000	25,000	44,253	(19,253)
Total Police Department	<u>244,340</u>	<u>244,340</u>	<u>188,459</u>	<u>55,881</u>
Fire department:				
Current:				
Supplies and maintenance	11,650	11,650	4,462	7,188
E-911	5,000	5,000	4,975	25
Utilities	2,640	2,640	3,014	(374)
Insurance	9,965	9,965	7,224	2,741
Miscellaneous	0	0	0	0
	<u>29,255</u>	<u>29,255</u>	<u>19,675</u>	<u>9,580</u>
Capital outlay	25,000	25,000	10,500	(14,500)
Total Fire Department	<u>54,255</u>	<u>54,255</u>	<u>30,175</u>	<u>(4,920)</u>
Total Expenditures	<u>515,670</u>	<u>525,670</u>	<u>524,227</u>	<u>1,443</u>
Excess (deficiency) of Revenues over Expenditures	(59,120)	(59,120)	(60,230)	(1,110)
Other operating sources: loan proceeds	<u>0</u>	<u>0</u>	<u>35,000</u>	<u>35,000</u>
Net change in fund balance	<u>(59,120)</u>	<u>(59,120)</u>	<u>(25,230)</u>	<u>33,890</u>
Fund Balance, July 1, 2022	216,954	216,954	216,954	0
Fund Balance, June 30, 2023	<u>\$157,834</u>	<u>\$157,834</u>	<u>\$191,724</u>	<u>\$33,890</u>

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

CITY OF CALHOUN, TENNESSEE

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

State Street Aid Fund

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental:				
Gasoline .03 tax	2,500	4,500	2,766	(1,734)
Petroleum special	900	1,900	982	(918)
Gasoline 1989 tax	1,200	2,700	1,497	(1,203)
Gasoline 2017 tax	4,400	6,400	4,833	(1,567)
Gasoline and motor fuel	<u>9,000</u>	<u>11,000</u>	<u>9,588</u>	<u>(1,412)</u>
Total Revenues	<u>18,000</u>	<u>26,500</u>	<u>19,666</u>	<u>(6,834)</u>
Expenditures:				
Streets:				
Street lighting	16,000	16,000	17,099	(1,099)
Repair and maintenance	<u>0</u>	<u>8,500</u>	<u>7,184</u>	<u>1,316</u>
Total Expenditures	<u>16,000</u>	<u>24,500</u>	<u>24,283</u>	<u>217</u>
Excess (deficiency) of revenues over expenditures	2,000	2,000	(4,617)	(6,617)
 Fund Balance, July 1, 2022	 <u>16,254</u>	 <u>16,254</u>	 <u>16,254</u>	 <u>-</u>
Fund Balance, June 30, 2023	<u>18,254</u>	<u>18,254</u>	<u>11,637</u>	<u>(6,617)</u>

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

CITY OF CALHOUN, TENNESSEE

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

Drug Fund

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental:				
Drug fines	<u>1,000</u>	<u>1,000</u>	<u>0</u>	<u>(1,000)</u>
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>0</u>	<u>(1,000)</u>
Expenditures:				
Supplies	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Debt service	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	1,000	1,000	0	(1,000)
Fund Balance, July 1, 2022	<u>804</u>	<u>804</u>	<u>804</u>	<u>-</u>
Fund Balance, June 30, 2023	<u><u>\$1,804</u></u>	<u><u>\$1,804</u></u>	<u><u>804</u></u>	<u><u>(1,000)</u></u>

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

CITY OF CALHOUN, TENNESSEE

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

Solid Waste Fund

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Refuse collection fees	20,000	20,000	15,684	(4,316)
Other charges	<u>0</u>	<u>500</u>	<u>128</u>	<u>(372)</u>
Total revenues	<u>20,000</u>	<u>20,500</u>	<u>15,812</u>	<u>(4,688)</u>
Expenditures:				
Contract services	15,000	15,000	15,684	(684)
Miscellaneous	<u>500</u>	<u>1,000</u>	<u>58</u>	<u>942</u>
	15,500	16,000	15,742	258
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u>15,500</u>	<u>16,000</u>	<u>15,742</u>	<u>258</u>
Excess (deficiency) of revenues over expenditures	4,500	4,500	70	(4,430)
Fund Balance, July 1, 2022	<u>21,792</u>	<u>21,792</u>	<u>21,792</u>	<u>-</u>
Fund Balance, June 30, 2023	<u>\$26,292</u>	<u>\$26,292</u>	<u>\$21,862</u>	<u>(\$4,430)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF CALHOUN, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies

The City of Calhoun, Tennessee, was incorporated under the Public Acts of the State of Tennessee. The City operates under a Commission-Manager form of government and provides the following services, as authorized by its charter and duly passed ordinances: public safety, sanitation, streets, public improvements, and general administrative services. The accounting policies of the City of Calhoun, 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 City as a reporting entity, management follows all applicable GASB statements and has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City's financial statements. The City (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 City. 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 City has no component units at yearend.

The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and the economic measurement focus for all funds. The fund financial statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in one column. Other significant changes include the reporting of capital assets, infrastructure and depreciation, the elimination of account groups, and the inclusion of management's discussion and analysis.

CITY OF CALHOUN, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies, Continued

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.

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.

Separate financial statements are provided for governmental funds. 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 other governmental revenues as available if received within 45 days of years end. Expenditures are incurred 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.

CITY OF CALHOUN, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies, Continued

The government reports the following major funds:

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

State Street Aid Fund - To account for the receipt and usage of the City's share of State gasoline taxes.

Solid Waste Fund - The Solid Waste Fund is used to account for the operations of the solid waste operations.

Drug Fund - To account for the receipt of drug related funds and the expenditures for drug enforcement. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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.

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

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.

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 receivables are shown net of an allowance for uncollectible, if applicable.

CITY OF CALHOUN, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies, Continued

Compensated Absences

The City has no accrual for unused sick and vacation pay as all-time must be used by yearend or the time is forfeited.

Cash and Cash Equivalents

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

Property Tax

The City'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 City's legal boundaries. All City 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 \$0.4701 per \$100 of assessed valuation for the fiscal year ended June 30, 2023.

Payments may be made during the period from November 1 through February 28. Current tax collections of \$41,792 for the fiscal year ended June 30, 2023 were approximately 94 percent of the tax levy.

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.

CITY OF CALHOUN, TENNESSEE

Notes to Financial Statements

June 30, 2023

(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 roads, bridges, streets and sidewalks, and drainage systems are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an individual cost of \$5,000 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.

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

The estimated useful lives are as follows:

Infrastructure	20-30 years
Buildings	10-50 years
Furniture and Equipment	3-10 years

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 no items that qualify 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 items that qualify 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. Additionally, the City has recorded a deferred inflow for unspent grant funds received during the year.

Inventory

Inventory of all the governmental funds consists of expendable supplies held for consumption and are recorded at cost under the consumption method.

CITY OF CALHOUN, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies, Continued

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 City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance

The City 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 City’s highest level of decision-making authority, the City Council of the City of Calhoun, Tennessee. Commitments may be changed or lifted only by the City 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 City for specific purposes that are neither restricted nor committed. The City Council and its designee, the Recorder, 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.

CITY OF CALHOUN, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies, Continued

Long-term Obligations

In the government-wide 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. Debt issuance costs, such as insurance costs, fees and other related costs are 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 are recognized as an expense.

Budgets and Budgetary Accounting

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

- a. Formal budgets are adopted and approved by the Board of Mayor and Commissioners by 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 Board of Mayor and Commissioners approves, by ordinance, total budget appropriations by department only. The Mayor 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 Board of Mayor and Commissioners.
- c. The budget amounts shown in the financial statements are the final authorized amounts as amended during the year.

CITY OF CALHOUN, TENNESSEE

Notes to Financial Statements

June 30, 2023

(2) Cash and Cash Equivalents

The City 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 City invested funds that were not immediately needed in the certificate of deposits and savings accounts. The City 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 city. The City's deposits with financial institutions are fully insured or collateralized by securities held in the government's name.

Additionally, the deposit accounts are covered by the Federal Depository Insurance Coverage (FDIC). At June 30, 2023, all cash and certificate of deposits were insured and/or collateralized depending on the particular financial institution. The City uses several financial institutions for its deposits. Cash and cash equivalents were adequately covered by federal depository, insurance, insured or collateralization by securities, pledged for deposits, held by an independent third-party financial institution under the terms of a safekeeping collateral agreement in the City's name. Investment policies of the City follow State law.

(3) Accounts Receivable

Accounts receivable at June 30, 2023, consist of the following:

<u>Fund</u>	<u>Other Government</u>	<u>Property Taxes</u>	<u>Total</u>
General fund	\$ 53,203	57,670	110,873
Special Revenue funds	<u>3,347</u>	<u>-</u>	<u>3,347</u>
Total	\$ <u>56,550</u>	<u>57,670</u>	<u>114,220</u>

CITY OF CALHOUN, TENNESSEE

Notes to Financial Statements

June 30, 2023

(4) Capital Assets

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

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>
Asset not being depreciated				
Land	\$ 5,500	-	-	5,500
Assets being depreciated				
Buildings	182,305	-	-	182,305
Land improvements	134,254	37,000	-	171,254
Equipment	498,054	63,753	-	561,807
Total	\$ <u>820,113</u>	<u>100,753</u>	<u>-</u>	<u>920,866</u>
 Accumulated depreciation	 (604,690)			 (648,112)
 Capital Assets, net	 <u>215,423</u>			 <u>272,754</u>

All assets except land of \$5,500 are being depreciated. Depreciation expense was charged to functions/programs of the primary government as follows:

General Fund:

General government	8,223
Fire department	8,167
Police department	15,055
Sanitation	755
Streets	6,472
Park and recreation	4,750
Total	<u>43,422</u>

CITY OF CALHOUN, TENNESSEE

Notes to Financial Statements

June 30, 2023

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

Direct Borrowings

The following schedule reflects the changes in long-term debt for the fiscal year ending June 30, 2023.

Notes Payable:	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Due Within</u> <u>One Year</u>
Settlement	2,000	0	2,000	0	0
Car loan	22,974	0	5,860	17,114	6,094
Car loan	0	35,000	4,732	30,268	6,189
Car loan	2,784	0	2,784	0	0
Total	<u>27,758</u>	<u>35,000</u>	<u>15,376</u>	<u>47,382</u>	<u>12,283</u>

Principal and interest requirements to maturity on all outstanding loans/settlements as of June 30, 2023 are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2024	12,283	1,995
2025	12,961	1,317
2026	11,703	869
2027	7,501	14
2028	<u>2,934</u>	<u>8</u>
Total	<u>47,382</u>	<u>4,203</u>

The City lost a judgement whereby the courts ordered the City to pay for legal costs. The legal costs totaled \$48,000, with the City paying \$9,000 down and paying \$500 a month. The above bonds payable contain provisions that in the event of default, the lender can use any remedy allowed by state or federal law.

(6) Risk Management

The City is exposed to various risks to general liability and property and casualty losses. The City 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 City 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 City 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 City has not had claims in excess of insurance coverage during the last three years.

CITY OF CALHOUN, TENNESSEE

Notes to Financial Statements

June 30, 2023

(7) Commitments and Contingencies

Litigation:

There is no litigation or claims the outcome of which, in the opinion of management will not materially affect the City'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.

SUPPLEMENTAL
INFORMATION

CITY OF CALHOUN, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds

Schedule of Capital Assets By Type

June 30, 2023

	<u>Land</u>	<u>Improvements and Building</u>	<u>Equipment</u>	<u>Total</u>
General government	5,500	353,559	69,012	428,071
Police department	0	0	110,836	110,836
Solid waste	0	0	12,150	12,150
Street department	0	0	60,288	60,288
Fire department	0	0	309,521	309,521
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>5,500</u>	<u>353,559</u>	<u>561,807</u>	<u>920,866</u>

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

CITY OF CALHOUN, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes in Capital Assets by Function and Activity

June 30, 2023

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2023</u>
Land	\$5,500	0	0	5,500
Land improvements	134,254	37,000	0	171,254
Building and improvements	182,305	0	0	182,305
Equipment	<u>498,054</u>	<u>63,753</u>	<u>0</u>	<u>561,807</u>
Total	<u>\$820,113</u>	<u>100,753</u>	<u>0</u>	<u>920,866</u>

CITY OF CALHOUN, TENNESSEE

**Schedule of Cash and Cash Equivalents
All Funds**

June 30, 2023

	<u>Carrying Value</u>
General Fund:	
Demand deposits	\$261,761
Total General Fund	<u>261,761</u>
State Street Aid Fund:	
Demand deposits	9,599
Total State Street Aid Fund	<u>9,599</u>
Drug Fund:	
Demand deposits	804
Total Drug Fund	<u>804</u>
Solid Waste Fund:	
Demand deposits	24,293
Total Sanitation Fund	<u>24,293</u>
Total Special Revenue Funds	<u>34,696</u>
 Total - All funds	 <u><u>\$296,457</u></u>

CITY OF CALHOUN, TENNESSEE

Schedule of Changes in Property Taxes Receivable

For the Year Ended June 30, 2023

<u>Tax Year</u>	<u>Balance July 1, 2022</u>	<u>Levy</u>	<u>Collections and Changes in Assessment</u>	<u>Balance June 30, 2023</u>
2023	\$ -	45,000	0	45,000
2022	46,000	(655)	41,792	3,553
2021	4,380	0	2,357	2,023
2020	3,063	0	1,126	1,937
2019	2,350	0	623	1,727
2018	1,714	0	0	1,714
2017	874	0	657	217
2016	535	0	0	535
2015	561	0	0	561
2014	403	0	0	403
2013	477	0	477	0
2012	791	0	791	0
	<u>\$61,148</u>	<u>44,345</u>	<u>47,823</u>	<u>57,670</u>

<u>Tax Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Tax Adjustment and Collections</u>	<u>Outstanding Taxes</u>
2023	\$ 0.3345	\$ 45,000	\$ 0	\$ 45,000
2022	0.4701	45,345	41,792	3,553
2021	0.4701	46,014	43,991	2,023
2020	0.4701	46,224	44,287	1,937
2019	0.4701	46,700	44,973	1,727
2018	0.4701	46,607	44,893	1,714
2017	0.5016	46,035	45,818	217
2016	0.5016	46,253	45,718	535
2015	0.5016	43,136	42,575	561
2014	0.5016	43,617	43,214	403
2013	0.5016	43,114	43,114	0
2012	0.50	46,014	46,014	0

The City turns over its delinquent property taxes to the City Attorney.

CITY OF CALHOUN, TENNESSEE

Schedule of Debt Service Requirements - General Obligation

June 30, 2023

Year	Police Car		Police Car		TOTAL		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2024	6,189	1,326	6,094	669	12,283	1,995	14,278
2025	6,623	892	6,338	425	12,961	1,317	14,278
2026	7,021	484	4,682	385	11,703	869	12,572
2027	7,501	14			7,501	14	7,515
2028	2,934	8			2,934	8	2,942
	<u>\$30,268</u>	<u>\$2,724</u>	<u>\$17,114</u>	<u>\$1,479</u>	<u>\$47,382</u>	<u>\$4,203</u>	<u>\$51,585</u>

CITY OF CALHOUN, TENNESSEE

Schedule of Changes in Long-term Debt by Individual Issue

June 30, 2023

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2022	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2023
Governmental Activities									
NOTES PAYABLE									
Car loan	\$ 30,000	4.00%	2021	3/31/2026	\$ 22,974	\$ -	\$ 5,860	\$ -	\$ 17,114
Car loan	\$ 35,000	7.00%	2022	10/31/2027	-	\$ 35,000	\$ 4,732	\$ -	\$ 30,268
Car loan	\$ 27,647	5.00%	2017	8/31/2022	\$ 2,784	\$ -	\$ 2,784	\$ -	\$ -
Total Notes Payable					\$ 25,758	\$ 35,000	\$ 13,376	\$ -	\$ 47,382

CITY OF CALHOUN, TENNESSEE
Schedule of Federal and State Financial Assistance
For the Year Ended June 30, 2023

<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Receivable (Deferred) Balance July 1, 2022</u>	<u>Grant Receipts</u>	<u>Other Receipts</u>	<u>Grant Expenditures</u>	<u>Receivable (Deferred) Balance June 30, 2023</u>
State Program:								
N/A	N/A	Governors Appropriation	Tennessee Department of Finance and Administration	<u>0</u>	<u>0</u>	<u>0</u>	<u>35,150</u>	<u>35,150</u>
Federal Program:								
21.027	N/A	American Rescue Plan Act	US Department of Treasury thru the State of Tennessee	<u>(74,178)</u>	<u>74,178</u>	<u>0</u>	<u>37,280</u>	<u>(111,076)</u>
Total State and Federal				<u>(74,178)</u>	<u>74,178</u>	<u>0</u>	<u>72,430</u>	<u>(75,926)</u>

This schedule prepared on the modified accrual basis of accounting.

COMPLIANCE AND INTERNAL CONTROL

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

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
City of Calhoun, Tennessee
Calhoun, 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 and each major fund of the City of Calhoun as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Calhoun's basic financial statements, and have issued a report thereon dated December 11, 2023.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing the audit, I considered the City of Calhoun's internal control over financial reporting as a basis for designing the auditing procedures 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 City of Calhoun's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2023-001, that I consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Calhoun's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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 is required to be reported under *Government Auditing Standards*.

Response to Findings

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

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.

Juli R Poole, CPA

December 11, 2023

CITY OF CALHOUN, TENNESSEE

Schedule of Findings and Responses

June 30, 2023

2023-001 - Separation of Duties

Condition: The City of Calhoun currently has one employee that works in performing the majority of the accounting functions for the City. Due to only having one employee 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 City 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 City to segregate duties to the optimum level desired. There are only one employee 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 City, we could not financially hire additional office help.”

CITY OF CALHOUN, TENNESSEE

Schedule of Disposition of Prior Year Comments

June 30, 2023

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2022-001	Separation of Duties	Repeated

The original finding number was 2011-001. The current finding number is 2023-001.



CITY OF CALHOUN

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Management's Corrective Action Plan

Audit period: June 30, 2023

The findings from the June 30, 2023, Schedule of Findings and Responses are discussed below.

2023-001 Segregation of Duties (Internal Control)

Contact person: Rebecca Jones

Planned Corrective Action: We agree. This comment is related to our size. It is not economically feasible at this time to hire a sufficient number of people to adequately separate the duties. We (the Board) do continue to monitor our finances and internal control. We are the contact related to this information.

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.

Signature: Rebecca Jones