

TOWN OF WALDEN, TENNESSEE

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2021

JOHNSON, MURPHEY & WRIGHT, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA, TENNESSEE

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TOWN OF WALDEN, TENNESSEE
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June 30, 2021

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TOWN OF WALDEN, TENNESSEE
Roster of Board Members and Management
June 30, 2021

Mayor..... Lee Davis

Alderwoman Sarah McKenzie

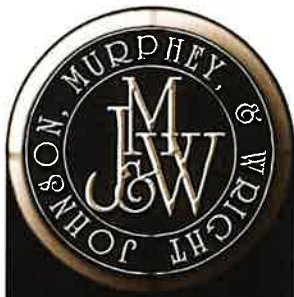
Alderwoman Elizabeth Schmidt

Town Recorder/CMFO Fern Lockhart

Judge..... Herbert A. Thornbury

Attorney Sam Elliott

II. FINANCIAL SECTION



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Members
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Brian T. Wright, CPA

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Marianne Greene, CPA

Stuart Johnson, CPA

Jennifer Waycaster, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Mayor and Aldermen
Town of Walden, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Town of Walden, Tennessee, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2021, on our consideration of the Town of Walden, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Walden, Tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Walden, Tennessee's internal control over financial reporting and compliance.

Johnson, Murphey & Wright, P.C.

Chattanooga, Tennessee
September 3, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Walden, Tennessee, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Walden, Tennessee for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the Town's financial statements.

FINANCIAL HIGHLIGHTS

The assets of the Town of Walden, Tennessee exceeded its liabilities and deferred inflows at June 30, 2021, by \$7,117,845 (net position). Of this amount \$5,085,431 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.

The Town's governmental activities operated at a surplus of \$542,290.

As of the close of the current fiscal year, the Town of Walden, Tennessee's governmental fund reported an ending fund balance of \$5,113,139. Within the governmental funds, \$1,500,000 is committed for savings and \$300,000 is committed for stabilization. \$34,325 is legally restricted for state street aid expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction of the Town of Walden, Tennessee's basic financial statements. The Town of Walden, Tennessee's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the Town of Walden, Tennessee's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the Town of Walden, Tennessee's assets, deferred outflows, liabilities, and deferred inflows, with the difference 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 of Walden, Tennessee 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 taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Walden, Tennessee 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 Walden, Tennessee include general government, public safety, public works, state street aid, and public welfare and recreation. The Town of Walden, Tennessee has no business-type activities.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Walden, Tennessee, 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 of Walden, Tennessee are governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as 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 the governmental funds and governmental activities.

The Town of Walden, Tennessee maintains one individual governmental fund. Information is presented in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, which is considered to be a major fund.

The Town of Walden, Tennessee adopts an annual appropriated budget for its governmental fund. A budgetary comparison statement has been provided for the major governmental fund, the General Fund, to demonstrate compliance with this budget.

The basic governmental fund financial statement can be found on pages 12 through 18 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 19 through 34 of this report.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net Position

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 Walden, Tennessee, assets exceeded liabilities and deferred inflows by \$7,117,845 at the close of this fiscal year.

A large portion of the Town of Walden, Tennessee's net position (28.07%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any debt used to acquire those assets that is still outstanding. The Town of Walden, Tennessee uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

\$34,524 of the Town of Walden, Tennessee's net position represents resources that are subject to external restrictions on how they may be used. \$5,085,431 or 71.45% of net position are unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At June 30, 2021, the Town of Walden, Tennessee is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

The table below provides a summary of the Town's net position.

Town of Walden, Tennessee's Net Position

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Capital assets	\$ 1,997,890	\$ 1,982,436
Other assets	<u>6,176,315</u>	<u>5,583,310</u>
Total assets	<u>\$ 8,174,205</u>	<u>\$ 7,565,746</u>
Deferred outflows of resources	\$ -	\$ 181
Long-term liabilities	\$ 6,907	\$ 5,008
Other liabilities	<u>514,853</u>	<u>465,681</u>
Total liabilities	<u>\$ 521,760</u>	<u>\$ 470,689</u>
Deferred inflows of resources	<u>\$ 534,600</u>	<u>\$ 519,683</u>
Investment in capital assets	\$ 1,997,890	\$ 1,982,436
Restricted	34,524	151
Unrestricted	<u>5,085,431</u>	<u>4,592,968</u>
Total net position	<u>\$ 7,117,845</u>	<u>\$ 6,575,555</u>

Change in Net Position

Governmental activities increased the Town of Walden, Tennessee's net position by \$542,290.

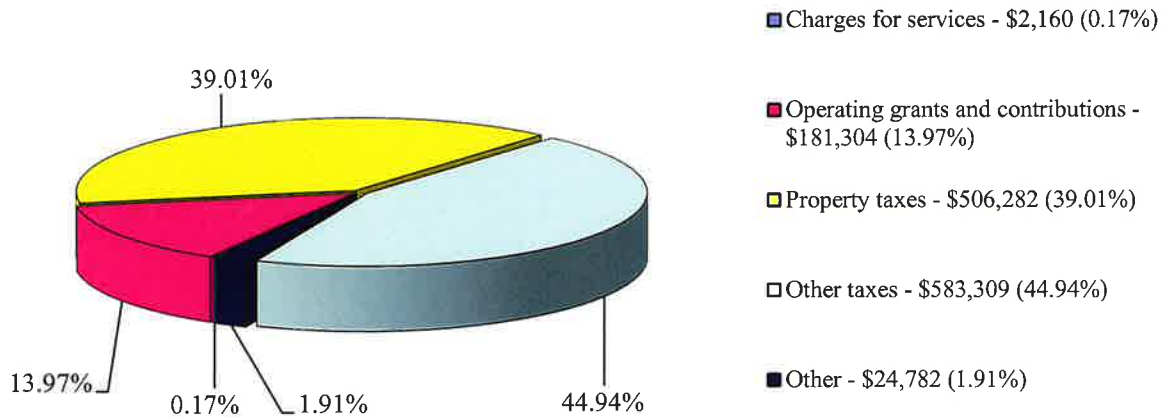
The table below provides a summary of the Town's net position.

Town of Walden, Tennessee's Changes in Net Position

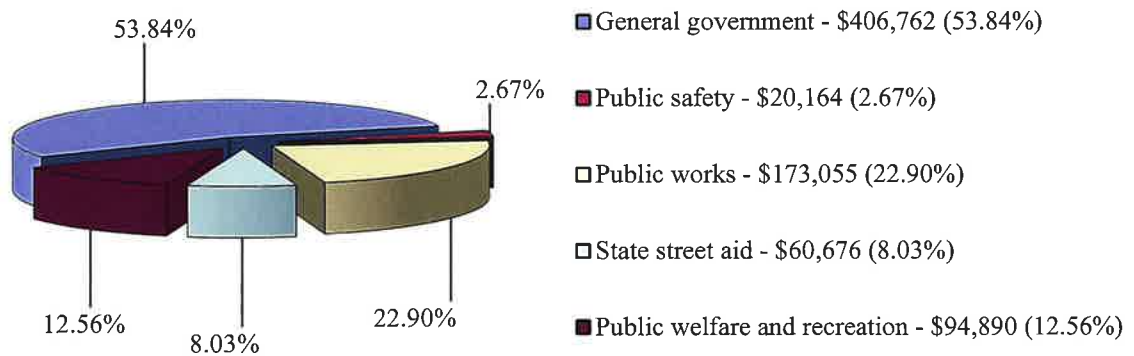
	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,160	\$ 1,685
Operating grants and contributions	181,304	70,356
Capital grants and contributions	-	153,330
General revenues:		
Property taxes	506,282	424,549
Other taxes	583,309	582,715
Other	<u>24,782</u>	<u>40,873</u>
Total revenues	<u>1,297,837</u>	<u>1,273,508</u>
Expenses:		
General government	406,762	368,041
Public safety	20,164	19,619
Public works	173,055	172,680
State street aid	60,676	430,966
Public welfare and recreation	<u>94,890</u>	<u>87,265</u>
Total expenses	<u>755,547</u>	<u>1,078,571</u>
Increase (decrease) in net position	542,290	194,937
Net position - beginning	<u>6,575,555</u>	<u>6,380,618</u>
Net position - ending	<u>\$ 7,117,845</u>	<u>\$ 6,575,555</u>

The graphs below summarize the \$1,297,837 of Town-wide revenues by source and the associated \$755,547 of expense by program.

Town-Wide Sources of Revenue

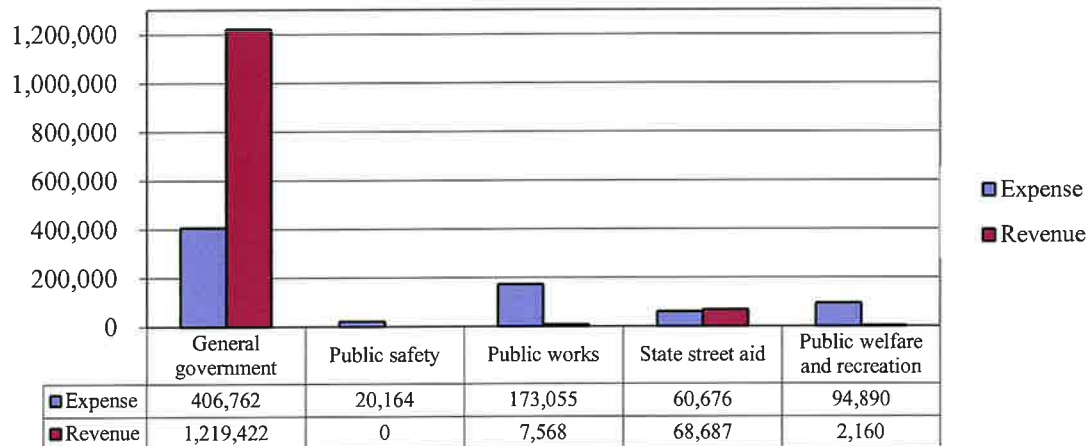


Town-Wide Program Expenses



The following graph summarizes the revenue and related expense for each government program of the Town. The difference between expense and revenue is the financial burden placed on the Town's taxpayers for each program.

Expenses and Program Revenues - Governmental Activities



FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the Town of Walden, Tennessee's governmental fund (General Fund) reported ending fund balances of \$5,113,139.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget netted to \$0.

Departmental budget officers closely monitored expenditures during the fiscal year in order to minimize budget amendments.

Town of Walden, Tennessee's Capital Assets (Net of Depreciation)

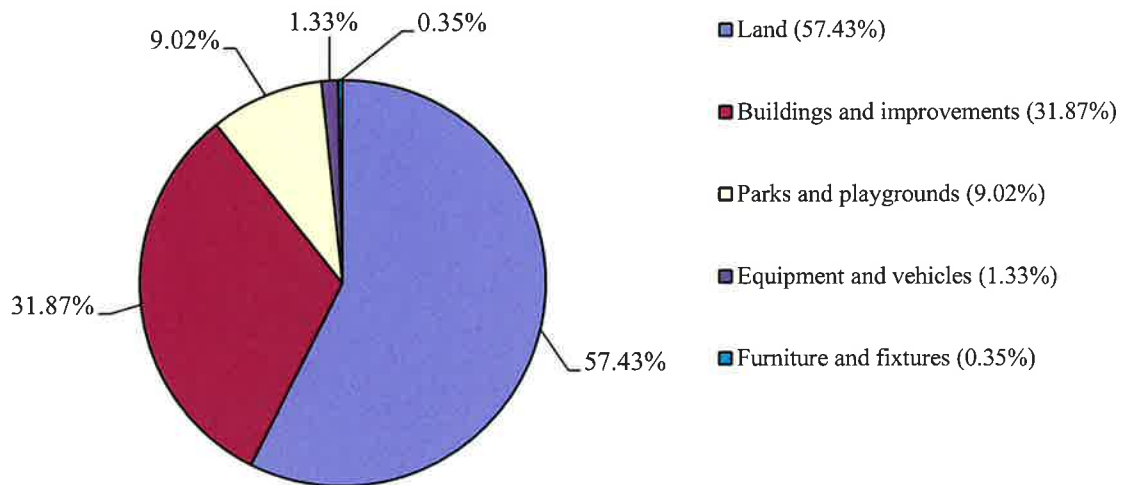
Land	\$ 1,147,472
Buildings and improvements	636,817
Parks and playgrounds	180,254
Equipment and vehicles	26,372
Furniture and fixtures	6,975
	<u>\$ 1,997,890</u>

Some of the major capital assets that were purchased during the year include:

McCoy parking lot expansion	\$ 23,800
McCoy stone gate and fencing	\$ 60,853
McCoy pavilion HVAC	\$ 7,450
McCoy pavilion water line and plumbing	\$ 5,195

The following graph provides a breakdown of which assets make up the largest portion of the Town's total investment in capital assets.

Town-Wide Capital Assets



Additional information on the Town of Walden, Tennessee's capital assets can be found in Note 7 on pages 26 and 27 of this report.

Town of Walden, Tennessee's Outstanding Debt

At the end of the current fiscal year, the Town had \$6,907 of compensated absences. None of this balance is considered to be due in the next fiscal year. Additional information on outstanding debt can be found in Note 10 on page 27.

Currently Known Conditions Effecting Future Years

The Town does not have any upcoming projects or grants.

Requests for Information

This financial report is designed to provide a general overview of the Town of Walden, Tennessee's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the Town of Walden, Tennessee, P.O. Box 335, Signal Mountain, TN 37377.

BASIC FINANCIAL STATEMENTS

TOWN OF WALDEN, TENNESSEE
Statement of Net Position
June 30, 2021

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 5,037,341
Investments	425,654
Property taxes receivable - net	553,146
Other receivables	9,178
Due from other governments	150,797
Total current assets	<u>6,176,116</u>
Non-current assets	
Other assets	
Net OPEB asset	<u>199</u>
Capital assets	
Land	1,147,472
Other capital assets - net of accumulated depreciation	850,418
Total capital assets	<u>1,997,890</u>
Total non-current assets	<u>1,998,089</u>
TOTAL ASSETS	<u>\$ 8,174,205</u>
LIABILITIES	
Current assets	
Accounts payable	\$ 10,740
Deferred grant revenue	65,720
Due to other governments	438,393
Total current liabilities	<u>514,853</u>
Non-current liabilities	
Compensated absences	<u>6,907</u>
TOTAL LIABILITIES	<u>\$ 521,760</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue - property taxes	<u>\$ 534,600</u>
NET POSITION	
Investment in capital assets	\$ 1,997,890
Restricted for OPEB	199
Restricted for state street aid	34,325
Unrestricted	5,085,431
TOTAL NET POSITION	<u>\$ 7,117,845</u>

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

TOWN OF WALDEN, TENNESSEE
Statement of Activities
Year Ended June 30, 2021

Functions/Programs		Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges For	Operating Grants and	Capital Grants and	Primary Government
<u>Primary Government:</u>	<u>Expenses</u>	<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
General government	\$ 406,762	\$ -	\$ 105,049	\$ -	\$ (301,713)
Public safety	20,164	-	-	-	(20,164)
Public works	173,055	-	7,568	-	(165,487)
State street aid	60,676	-	68,687	-	8,011
Public welfare and recreation	94,890	2,160	-	-	(92,730)
Total primary government	<u>\$ 755,547</u>	<u>\$ 2,160</u>	<u>\$ 181,304</u>	<u>\$ -</u>	<u>(572,083)</u>
General revenues:					
					506,282
Property taxes					2,407
Interest and penalties					12,866
Utility tax					205,230
Local option sales tax					40,432
Wholesale beer tax					33,230
Franchise tax					289,144
Other state taxes					4,379
Interest					20,403
Miscellaneous					<u>1,114,373</u>
Total general revenues					
					542,290
Change in net position					
					<u>6,575,555</u>
Net position - beginning					
					<u>\$ 7,117,845</u>
Net position - end					

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

TOWN OF WALDEN, TENNESSEE
Governmental Funds
Balance Sheet
June 30, 2021

	General Fund
ASSETS	
Cash and cash equivalents	\$ 5,037,341
Investments	425,654
Property taxes receivable - net	553,146
Other receivables	9,178
Due from other governments	150,797
TOTAL ASSETS	\$ 6,176,116
LIABILITIES	
Accounts payable	\$ 10,740
Deferred grant revenue	65,720
Due to other governments	438,393
TOTAL LIABILITIES	\$ 514,853
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue - property taxes	\$ 548,124
FUND BALANCES	
Restricted	\$ 34,325
Committed	1,800,000
Unassigned	3,278,814
TOTAL FUND BALANCES	\$ 5,113,139

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

TOWN OF WALDEN, TENNESSEE
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2021

Total fund balances per governmental funds balance sheet	\$ 5,113,139
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,997,890
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(6,907)
Some of the Town's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	13,524
OPEB liabilities, including deferred inflows and deferred outflows, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>199</u>
Net position of governmental activities	<u>\$ 7,117,845</u>

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

TOWN OF WALDEN, TENNESSEE
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2021

	<u>General Fund</u>
REVENUES	
Taxes	\$ 798,459
Intergovernmental	372,050
Other	<u>28,040</u>
TOTAL REVENUES	<u>1,198,549</u>
EXPENDITURES	
Current expenditures	
General government	366,123
Public safety	18,768
Public works	173,055
State street aid	57,361
Public welfare and recreation	54,629
Capital outlay	<u>1,734</u>
TOTAL EXPENDITURES	<u>671,670</u>
Net changes in fund balances	526,879
Fund balances - beginning	<u>4,586,260</u>
Fund balances - end	<u><u>\$ 5,113,139</u></u>

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

TOWN OF WALDEN, TENNESSEE
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2021

Net change in fund balances for total governmental funds	\$ 526,879
Governmental funds report capital outlay as expenditures, however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.	15,454
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	1,988
OPEB expense for the prior year is not reported in the governmental funds but is reported in the Statement of Activities. Current year OPEB contributions are reported as an expense in the governmental funds but are not reported in the Statement of Activities.	(132)
Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:	
(Increase) decrease in compensated absences	<u>(1,899)</u>
Change in net position of governmental activities	<u>\$ 542,290</u>

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

TOWN OF WALDEN, TENNESSEE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 453,470	\$ 453,470	\$ 504,294	\$ 50,824
Interest and penalties	2,000	2,000	2,407	407
Utility tax	9,800	9,800	12,866	3,066
Local option sales tax	91,938	91,938	205,230	113,292
Wholesale beer tax	19,000	19,000	40,432	21,432
Franchise tax	27,272	27,272	33,230	5,958
Total taxes	<u>603,480</u>	<u>603,480</u>	<u>798,459</u>	<u>194,979</u>
Intergovernmental				
State of Tennessee:				
Sales tax	115,845	115,845	201,604	85,759
Beer tax	800	800	899	99
Income tax	-	-	63,847	63,847
City streets and transportation	2,500	2,500	3,768	1,268
Gasoline and motor fuel tax	46,429	46,429	68,687	22,258
TVA in lieu of tax	15,000	15,000	21,695	6,695
Grant revenue	77,271	77,271	11,550	(65,721)
Total intergovernmental	<u>257,845</u>	<u>257,845</u>	<u>372,050</u>	<u>114,205</u>
Other				
Interest	5,000	5,000	4,379	(621)
Rental income	500	500	2,160	1,660
Miscellaneous	12,000	12,000	21,501	9,501
Total other	<u>17,500</u>	<u>17,500</u>	<u>28,040</u>	<u>10,540</u>
TOTAL REVENUES	<u>878,825</u>	<u>878,825</u>	<u>1,198,549</u>	<u>319,724</u>

(Continued)

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

TOWN OF WALDEN, TENNESSEE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
Year Ended June 30, 2021

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES				
Current expenditures				
General government				
Salaries and wages	\$ 90,960	\$ 90,960	\$ 84,485	\$ 6,475
Payroll taxes	12,000	13,000	10,199	2,801
Employee benefits	13,500	15,000	12,397	2,603
Commissions	12,500	13,500	12,294	1,206
Insurance	26,000	26,300	22,923	3,377
Dues and subscriptions	6,000	6,000	5,921	79
Elections	3,500	3,500	1,908	1,592
Contributions	80,000	83,000	83,000	-
Professional fees	55,000	60,000	56,727	3,273
Planning and development	50,000	50,000	28,677	21,323
Utilities	30,000	29,300	29,232	68
Conference and travel	1,500	1,500	168	1,332
Miscellaneous	3,794	5,794	5,608	186
Office supplies	3,000	3,400	3,218	182
Website	77,271	77,721	7,750	69,971
Equipment rental	1,900	1,900	1,616	284
Total general government	<u>466,925</u>	<u>480,875</u>	<u>366,123</u>	<u>114,752</u>
Public safety				
Police				
Enforcement	14,000	14,000	7,332	6,668
Office supplies	50	50	-	50
Training	250	250	-	250
Total police	<u>14,300</u>	<u>14,300</u>	<u>7,332</u>	<u>6,968</u>
Animal control	<u>12,000</u>	<u>12,000</u>	<u>11,436</u>	<u>564</u>
Total public safety	<u>26,300</u>	<u>26,300</u>	<u>18,768</u>	<u>7,532</u>
Public works				
Highway and streets				
Stormwater testing	<u>9,500</u>	<u>9,500</u>	<u>8,342</u>	<u>1,158</u>
Solid waste				
Garbage service contract	<u>168,000</u>	<u>168,000</u>	<u>164,713</u>	<u>3,287</u>
Total public works	<u>177,500</u>	<u>177,500</u>	<u>173,055</u>	<u>4,445</u>

(Continued)

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

TOWN OF WALDEN, TENNESSEE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
Year Ended June 30, 2021

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES (Continued)				
Current expenditures (Continued)				
State street aid				
Salaries and wages	\$ 25,000	\$ 25,000	\$ 17,871	\$ 7,129
Professional fees	12,000	18,500	18,442	58
Road maintenance and paving	100,100	70,840	16,871	53,969
Street lights	4,300	4,300	4,177	123
Total state street aid	<u>141,400</u>	<u>118,640</u>	<u>57,361</u>	<u>61,279</u>
 Public welfare and recreation				
Salaries and wages	46,000	43,250	27,207	16,043
Insurance	7,500	9,000	8,780	220
Park maintenance	13,200	21,500	18,642	2,858
Total public welfare and recreation	<u>66,700</u>	<u>73,750</u>	<u>54,629</u>	<u>19,121</u>
 Capital outlay				
General government	-	1,000	974	26
Public welfare and recreation	-	760	760	-
Total capital outlay	<u>-</u>	<u>1,760</u>	<u>1,734</u>	<u>26</u>
 TOTAL EXPENDITURES	<u>878,825</u>	<u>878,825</u>	<u>671,670</u>	<u>207,155</u>
 Net changes in fund balances	-	-	526,879	526,879
 Fund balances - beginning	<u>4,586,260</u>	<u>4,586,260</u>	<u>4,586,260</u>	<u>-</u>
 Fund balances - end	<u>\$ 4,586,260</u>	<u>\$ 4,586,260</u>	<u>\$ 5,113,139</u>	<u>\$ 526,879</u>

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

TOWN OF WALDEN, TENNESSEE
Notes to Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Walden, Tennessee have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Town of Walden, Tennessee operates under the Mayor-Aldermen form of government within the following departments: general government, public safety, public works, state street aid, and public welfare and recreation.

The following is a summary of the more significant accounting policies:

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP and GASB issued Statement No. 14, *The Financial Reporting Entity*. This statement requires that the financial statements present the Town of Walden, Tennessee (the primary government) and any component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting one of the following criteria; the primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its board and the primary government is able to impose its will upon the potential component unit); or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government.

Based on the foregoing criteria, there are no entities, which meet the above criteria for inclusion in the Town of Walden, Tennessee's financial statements.

B. Basic Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities.

Government-wide Statements - The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Town had no business-type activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements (Continued)

Government-wide Statements - (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The net cost (by function or business-type activity) is normally covered by general revenue (property or sales taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is designed to view the Town as a complete entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Fund Financial Statements - The fund financial statements provide information about the Town's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on the major governmental fund.

The Town reports the following major governmental fund:

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

C. Measurement Focus - Basis of Accounting

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

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, gasoline taxes, wholesale beer taxes, income taxes, mixed drink taxes and in-lieu of taxes are susceptible to accrual. Licenses and permits, fines and forfeitures, gross receipts taxes and excise taxes are recorded as revenue when received in cash because they are generally not measurable until actually received. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the governmental activities column in the government-wide financial statements, a reconciliation is presented on the page following each statement which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental activities column of the government-wide presentation.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets and Budgetary Accounting

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

During March and April, the Board of Mayor and Aldermen hold several budget workshops to prepare the management budget for the upcoming fiscal year. Prior to July 1, the budget is legally enacted through the passage of an ordinance with an operative date of July 1. A formal budget is adopted for the Governmental Fund on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Therefore, no adjustments are necessary to convert to the actual GAAP data from the budgetary basis. These formal budgets are adopted on a departmental basis. All annual appropriations which are not expended lapse at fiscal year-end.

During the year, supplementary appropriations were necessary. These amendments netted to \$0.

E. Cash and Cash Equivalents

Cash consists of cash-on-hand and on-deposit with financial institutions. For the purpose of reporting cash on the Statement of Net Position, the Town considers unrestricted highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash is reported on the Statement of Net Position as "Cash and Cash Equivalents".

F. Investments

All investments are reported at fair value, which is based on quoted market prices.

The Town is authorized by State Statutes to invest in the following:

- Bonds, notes or treasury bills of the United States.

- Nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the Student Loan Marketing Association.

- Any obligation guaranteed by the United States or any of its agencies.

- Certificates-of-deposit at state and federal chartered banks and savings and loan associations.

- The Local Government Investment Pool created by Title 9.

G. Property Taxes

Property taxes are levied by the Town on October 1st on property values assessed for that calendar year. The billings are considered due upon receipt by the taxpayer; however the actual due date is based on a period ending approximately 60 days after the calendar year end. On this date, March 1st, the bill becomes delinquent and penalties and interest may be assessed. Property taxes assessed by the Town are collected and remitted to the Town by Hamilton County. Property taxes are recognized on the accrual basis in the government-wide financial statements, and in the governmental funds they are recognized on the modified accrual basis. The tax rate for the 2020 levy is \$0.6053 per \$100 of assessed valuation, and the tax rate for the 2021 levy is \$0.5315 per \$100 of assessed valuation. Proper allowances are made for estimated uncollectible accounts.

Property taxes for the 2021 levy are considered to be owed to the Town as of the lien date on January 1, 2021. Therefore, the entire 2021 levy was recorded as a receivable and deferred revenue as of June 30, 2021.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Interfund Transactions

Interfund Receivables and Payables

Short-term advances between funds are not eliminated but accounted for in the appropriate interfund receivable and payable accounts classified as due from other funds or due to other funds in the fund financial statements and are subject to elimination upon consolidation. At June 30, 2021, there were no interfund receivables and payables.

Transactions between Funds

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

I. Prepayment of Expenditures

Governmental fund expenditures for insurance and similar services extending over more than one accounting period are not allocated between accounting periods but accounted for as expenditures of the period of acquisition.

J. Inventories

Supplies and materials are recorded as expenditures/expenses at the time items are purchased and are not inventoried at year-end due to lack of materiality.

K. Restricted Assets

Certain resources can be classified as restricted assets on the Statement of Net Position because their use is limited. At year-end, there were no restricted assets to be reported.

L. Capital Assets

Capital assets, which include property, plant, equipment, vehicles, and parks and playgrounds, 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 initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Years</u>
Buildings and improvements	10-40
Furniture and fixtures	5
Equipment and vehicles	5-7
Parks and playgrounds	5-15

Donated capital assets are valued at their estimated fair value on the date donated. The Town's policy is to capitalize the net interest cost incurred during the year, resulting from borrowings utilized to finance the construction of assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Entity has no items to report 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. Currently, the Entity has one type of item that qualifies for reporting in this category: deferred revenue - property taxes.

N. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in government funds only if they have matured, for example, as a result of employee resignations and retirements.

O. Long-term Obligations

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

P. Net Position

Net position is the residual of all elements presented in the Statement of Financial Position (i.e., assets + deferred outflows - liabilities - deferred inflows). Net investment in capital assets represent capital assets reduced by accumulated depreciation and by any outstanding debt related to the acquisition, construction or improvement of those assets. Restricted net position represents restricted assets reduced by any related outstanding debt.

Q. Fund Balance

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* established standards for fund balance classifications for state and local governments and requires that resources be classified for accounting reporting purposes into the following fund balances:

Nonspendable: The Town cannot spend these amounts due to form.

Restricted: The State or other sources can restrict funds to specific purposes by externally imposing restrictions or imposing by law through constitutional provisions or enabling legislation.

Committed: The Board of Aldermen has the authority to commit funds for a specific purpose. Any funds set aside as committed fund balance requires, at a minimum, the passage of a resolution by a simple majority vote. An ordinance may also be used.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Fund Balance (Continued)

Assigned: The Board of Aldermen has the authority to set aside funds for the intended use of a specific purpose. Any funds set aside as assigned fund balance requires a simple majority vote and must be recorded in the minutes.

Unassigned: Amounts not classified as nonspendable, restricted, committed, or assigned.

When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it.

When restricted, committed, assigned and unassigned funds are available for use, restricted funds should be spent first, committed funds second, assigned funds third and unassigned funds last.

The Board of Aldermen (Board) has the authority to establish a financial stabilization account that will be a committed fund balance. A financial stabilization account is established for the purpose of providing funds for an urgent event that affects the safety of the general public (e.g. flood, tornado, etc). The minimum level for the financial stabilization account will be set annually during the budget process and will become part of the annual budget ordinance. The recognition of an urgent event must be established by the Board or a designee (e.g. chief administrative officer). If established by the Board's designee, the specific urgent event must be reported to the Board at its next meeting. A budget amendment must be approved by the Board. In the event that the balance drops below the established minimum level, the Board will develop a plan to replenish the financial stabilization account balance to the established minimum level within four years.

R. Estimates

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

S. Events Occurring after Reporting Date

The Town has evaluated events and transactions that occurred between June 30, 2021 and September 3, 2021, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that in the event of a bank failure the Town's deposits may not be returned to it. The Town does not have a deposit or investment policy for custodial credit risk, however, the State of Tennessee requires its governmental entities to either meet the deposit and collateralization regulations under TCA Title 9, Chapter 4, Parts 1 and 4, or as provided in the collateral pool. As of June 30, 2021, the carrying amount of the Town's deposits was \$5,462,995 and the bank balance was \$5,501,812. None of the Town's bank balance was exposed to custodial credit risk as uninsured or uncollateralized due to the fact that all of its deposits and investments are in a financial institution that is a participant in the State of Tennessee collateral pool or are fully collateralized.

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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

Cash and cash equivalents	\$ 5,037,341
Investments	<u>425,654</u>
Total	<u>\$ 5,462,995</u>

Investments

The Town's investments are carried at fair value which is based on quoted market prices, and consist of a certificate-of-deposit totaling \$425,654. The Town's investments are listed on the Statement of Net Position as "Investments".

NOTE 3 - PROPERTY TAXES RECEIVABLE - NET

Property taxes receivable as of June 30, 2021, consist of the following:

<u>Year of Levy</u>	<u>Amount</u>
2021	\$ 534,600
2020	19,411
2019	3,513
2018	619
2017	199
2016	-
2015	-
2014	157
2013	-
2012	<u>783</u>
Total	559,282
Less: allowance for uncollectible taxes	<u>(6,136)</u>
Property taxes receivable - net	<u>\$ 553,146</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liability of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

NOTE 4 - OTHER RECEIVABLES

Other receivables at June 30, 2021, consist of the following:

Franchise tax	\$ 6,098
Wholesale alcohol beverage tax	<u>3,080</u>
Total	<u>\$ 9,178</u>

NOTE 5 - DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2021, consists of the following:

State of Tennessee shared revenues	\$ 114,730
Hamilton County local sales tax	<u>36,067</u>
Total	<u>\$ 150,797</u>

NOTE 6 - NET OPEB ASSET

Net OPEB asset at June 30, 2021 consists of the following:

Beginning balance	\$ 151
Service cost	(179)
Interest expense	2
Differences between expected and actual experience	31
Changes of assumptions	13
Benefit payments	<u>181</u>
Total	<u>\$ 199</u>

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Government activities:				
Capital assets not being depreciated:				
Land	<u>\$ 1,147,472</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,147,472</u>
Capital assets being depreciated:				
Buildings and improvements	1,535,010	97,298	-	1,632,308
Parks and playgrounds	225,435	-	-	225,435
Equipment and vehicles	101,809	-	-	101,809
Furniture and fixtures	<u>15,871</u>	<u>7,750</u>	<u>-</u>	<u>23,621</u>
Total capital assets being depreciated	<u>1,878,125</u>	<u>105,048</u>	<u>-</u>	<u>1,983,173</u>
Less accumulated depreciation for:				
Buildings and improvements	931,460	64,031	-	995,491
Parks and playgrounds	29,892	15,289	-	45,181
Equipment and vehicles	65,938	9,499	-	75,437
Furniture and fixtures	<u>15,871</u>	<u>775</u>	<u>-</u>	<u>16,646</u>
Total accumulated depreciation	<u>1,043,161</u>	<u>89,594</u>	<u>-</u>	<u>1,132,755</u>
Total capital assets being depreciated - net	<u>834,964</u>	<u>15,454</u>	<u>-</u>	<u>850,418</u>
Governmental activities capital assets - net	<u>\$ 1,982,436</u>	<u>\$ 15,454</u>	<u>\$ -</u>	<u>\$ 1,997,890</u>

NOTE 7 - CAPITAL ASSETS (Continued)

Depreciation expense charged to programs is as follows:

General government	\$ 41,582
Public safety	1,396
Public works	7,115
Public welfare and recreation	<u>39,501</u>
Total	<u>\$ 89,594</u>

NOTE 8 - DEFERRED GRANT REVENUE

Deferred grant revenue consists of a grant from the State of Tennessee in the amount of \$65,720.

NOTE 9 - DUE TO OTHER GOVERNMENTS

The Town received excess State Income Tax Revenue from the State of Tennessee. This potential error will be corrected and an estimated \$438,393 will be returned to the State of Tennessee.

NOTE 10 - LONG-TERM DEBT**Governmental Debt**

Long-term debt, which consists of compensated absences, is summarized as follows:

	<u>Principal Balance</u>
Compensated absences payable	\$ 6,907
Less: current portion of governmental long-term debt	<u>-</u>
Total governmental long-term debt	<u>\$ 6,907</u>

A summary of changes in governmental long-term debt for the year ended June 30, 2021, is as follows:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2021</u>	<u>Amount Due Within One Year</u>
Compensated absences	<u>\$ 5,008</u>	<u>\$ 1,899</u>	<u>\$ -</u>	\$ 6,907	<u>\$ -</u>
Less: Current portion of governmental long-term debt				<u>-</u>	
Total governmental long-term debt				<u>\$ 6,907</u>	

The Town does not have any unused lines of credit.

NOTE 11 - DEFERRED REVENUE - PROPERTY TAXES

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds as deferred inflows were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes	<u>\$ 13,524</u>	<u>\$ 534,600</u>	<u>\$ 548,124</u>

Funds that are earned, but not available, are realized as revenue under GASB No. 33.

NOTE 12 - NET POSITION RESTRICTIONS

The Town records restrictions of net position which are maintained for specific purposes. The nature and purpose of the restrictions and designations are explained as follows:

\$199 is legally restricted OPEB assets.

\$34,325 is legally restricted for state street aid expenditures.

NOTE 13 - FUND BALANCES

Fund balances are as follows:

Restricted: \$34,325 is restricted for state street aid expenditures.

Committed: The Town's Board of Aldermen has committed \$1,500,000 to be maintained in savings accounts and \$300,000 in a stabilization fund.

Unassigned: In accordance with generally accepted accounting principles, the General Fund is the only fund at the Town that reports amounts for unassigned fund balance. This classification represents fund balance that is not nonspendable and has not been committed to specific purposes within the General Fund.

NOTE 14 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances and the government-wide Statement of Activities:

The government fund Statement of Revenues, Expenditures and Changes in Fund Balances includes reconciliation between net changes in fund balances for total governmental funds and changes in net assets of governmental activities as reported in the government-wide Statement of Activities. One element of that reconciliation explains that, "Government 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". The details of this \$15,454 difference are as follows:

Depreciation expense	\$(89,594)
Capital outlay	<u>105,048</u>
Net adjustment	<u>\$ 15,454</u>

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Local Government OPEB Plan:

General Information About the OPEB Plan

Plan description

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

Benefits provided

The Town of Walden, Tennessee offers the LGOP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members of the LGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The Town of Walden, Tennessee does not directly subsidize and is 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, 2020, the following employees of the Town of Walden, Tennessee were covered by the benefit terms of the LGOP:

Inactive employees currently receiving benefit payments	-
Inactive employees entitled to but not yet receiving payments	-
Active employees	<u>1</u>
Total	<u>1</u>

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

General Information About the OPEB Plan (Continued)

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2021, the Town of Walden, Tennessee did not pay any OPEB benefits.

Total OPEB Liability

Actuarial assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.10%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent.
Healthcare cost trend rates	9.02% for pre-65 in 2020, decreasing annually over a 10 year period to an ultimate rate of 4.50%. 7.56% for post-65 in 2020, decreasing annually over a 4 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 distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2020, valuations were the same as those employed in the July 1, 2019 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, 2012 - June 30, 2016. 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 RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% 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.

Discount rate

The discount rate used to measure the total OPEB liability was 2.21 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as show on the Bond Buyer 20-Year Municipal GO AA index.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**Changes in the Total OPEB Liability**

	Total OPEB Liability <u>(a)</u>
Total OPEB liability - beginning balance	\$ (151)
Changes for the year:	
Service cost	179
Interest	(2)
Changes of benefit terms	-
Differences between expected and actual experience	(31)
Change in assumptions	(13)
Benefit payments	<u>(181)</u>
Net changes	<u>(48)</u>
Total OPEB liability - ending balance	<u>\$ (199)</u>

Changes in assumptions

The discount rate was changed from 3.51% as of the beginning of the measurement period to 2.21% as of June 30, 2020. This change in assumption increased 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-point higher than the current discount rate.

	1% Decrease <u>(1.21%)</u>	Discount Rate <u>(2.21%)</u>	1% Increase <u>(3.21%)</u>
Total OPEB liability	\$ (223)	\$ (199)	\$ (177)

Sensitivity of total OPEB liability to changes in the healthcare cost trend rate

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

	1% Decrease <u>(8.02%/6.56% decreasing to 3.50%)</u>	Healthcare Cost Trend Rates <u>(9.02%/7.56% decreasing to 4.5%)</u>	1% Increase <u>(10.02%/8.56% decreasing to 5.50%)</u>
Total OPEB liability	\$ (205)	\$ (199)	\$ (193)

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB****OPEB expense**

For the fiscal year ended June 30, 2021, the Town of Walden, Tennessee recognized OPEB expense of \$132.

Deferred outflows of resources and deferred inflows of resources

For the fiscal year ended June 30, 2021, the Town of Walden, Tennessee 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 actual and expected experience	\$ -	\$ -
Changes of assumptions	-	-
Employer payments subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ -</u>

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

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

For the year ended June 30:

2022	\$ -
2023	\$ -
2024	\$ -
2025	\$ -
2026	\$ -
Thereafter	\$ -

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

NOTE 16 - COMPLIANCE WITH FINANCE RELATED LEGAL AND CONTRACTUAL PROVISIONS

The Town has no material violations of finance-related legal and contractual provisions.

NOTE 17 - EMPLOYEE RETIREMENT PLAN

The Town provides pension benefits for all of its full-time employees through a defined contribution (money purchase) plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate three years from the date of employment. The plan requires that the Town contribute an amount equal to 4.5% of the employee's base salary. The Town's contributions for each employee (and interest allocated to the employee's account) are fully vested upon contribution. The plan is administered by Powell and Associates Investments.

The Town's total payroll for the year that ended June 30, 2021, was \$129,563. Covered payroll for the same period was \$56,264. The Town's contribution requirement, which is 4.5% of covered payroll, totaled \$2,590 and was made during the year.

NOTE 18 - RISK MANAGEMENT POOL

The Town is exposed to various risks of loss related to torts, errors and omissions, damages to assets, and injuries to employees. The Town has joined the Public Entity Partners Risk Management Pool (Pool). The membership allows the Town to share liability, motor vehicle, and employee injury risks.

The Pool is a governmental entity organized by Tennessee cities as a not-for-profit corporation to provide liability and workers' compensation coverage to Tennessee cities. Emphasis is on risk management and controlling losses, as all costs are shared by the Pool member cities. An extensive program of loss prevention, employee training and legal counsel supplements experienced claims processing for member cities.

Coverage is as follows:

Property	\$ 2,981,838	
Workmen's compensation	\$ 1,000,000	per accident
	\$ 1,000,000	policy limit
	\$ 1,000,000	per employee
Liability	\$ 3,000,000	each other loss - per occurrence

The responsibilities of the Town are as follows:

To pay all contributions or other sums due to the Pool at such times and in such amounts as shall be established by the Pool.

To allow the Pool and its agents reasonable access to all facilities of the Town and all records, including but not limited to financial records, which relate to the purposes of the Pool during the coverage period and up to (3) three years afterward.

To allow attorneys appointed by the Pool to represent the Town in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Town within the scope of loss protection furnished by the Pool.

To assist and cooperate in the defense and settlement of claims against the Town.

To furnish full cooperation to the Pool's attorneys, claims adjusters, and any agent, employee, officer or independent contractor of the Pool relating to the purposes of the Pool.

NOTE 18 - RISK MANAGEMENT POOL (Continued)

The responsibilities of the Town are as follows: (Continued)

To follow all loss reduction and prevention procedures established by the Pool where possible.

To furnish to the Pool such operating and underwriting information as may be requested.

To report as promptly as possible, and in accordance with any conditions issued, all incidents which could result in the Pool being required to pay claim for loss or injuries to municipal property or injuries to persons or property when such loss or injury is within the scope of the protection in which the Town participates.

To allow the Pool to inspect and appraise any damaged property before its repair or disposition.

The Town must cooperate with the pool in any dispute resolutions with other insurance companies.

The responsibilities of the Pool are as follows:

The Pool will defend any suit against the Town or covered party seeking damages even if any of the allegations of the suit are groundless, false, or fraudulent.

The Pool's duty to pay on behalf of or to indemnify a covered party other than the Town does not apply to any act, error or omission:

- (1) That constitutes malfeasance in office;
- (2) That constitutes willful and wanton neglects of duty;
- (3) That constitutes dishonesty on the part of a covered party; or
- (4) That constitutes the willful violation of a statute or ordinance by any official, employee, or agent of the municipality.

The Town has not compiled a record of the claims paid up to the applicable deductible for the prior or current fiscal year. The Town is not aware of any claims, which the Town is liable for (up to the applicable deductible) which were outstanding and unpaid at June 30, 2021. No provision has been made in the financial statements for the year ended June 30, 2021, for any estimate of potential unpaid claims.

NOTE 19 - COMMERCIAL INSURANCE

It is the policy of the Town to purchase commercial insurance for various risks of losses to which it is exposed. These risks include employee dishonesty, property and casualty, and employee health. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 20 - LITIGATION AND CLAIMS

The Town is currently the defendant in a legal action which is being vigorously defended. It is the overall impression of management that this suit is as defensible case.

NOTE 21 - CONTINGENT LIABILITIES

The Town generally follows the practice of recording liabilities from claims and legal actions only when it is probable that both (1) an asset has been impaired or a liability has been incurred, and (2) the amount of loss can be reasonably estimated. Settlement of all potential claims from a lawsuit in which the Town is involved would not, in management's estimation, materially affect the financial statements of the Town.

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

TOWN OF WALDEN, TENNESSEE
Schedule of Changes in the Town of Walden, Tennessee's
Total OPEB Liability and Related Ratios
June 30, 2021

Local Government OPEB Plan

	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total OPEB liability			
Service cost	\$ -	\$ 225	\$ 179
Interest	-	22	(2)
Changes of benefit terms	-	-	-
Differences between expected and actual experience	318	(682)	(31)
Changes of assumptions	136	(13)	(13)
Benefit payments	<u>-</u>	<u>(157)</u>	<u>(181)</u>
Net change in total OPEB liability	454	(605)	(48)
Total OPEB liability - beginning	<u>-</u>	<u>454</u>	<u>(151)</u>
 Total OPEB liability - ending (a)	 <u>\$ 454</u>	 <u>\$ (151)</u>	 <u>\$ (199)</u>
 Covered-employee payroll	 \$ 56,766	 \$ 56,329	 \$ 56,264
 Total OPEB liability as a percentage of covered-employee payroll	 0.80%	 (0.27)%	 (0.35)%

Notes to Schedule

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

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

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

TOWN OF WALDEN, TENNESSEE
General Fund
Schedule of Changes in Property Taxes Receivable
Year Ended June 30, 2021

<u>Year of Levy</u>	<u>Taxes Receivable June 30, 2020</u>	<u>Levy</u>	<u>Pickups (Releases)</u>	<u>Collections</u>	<u>Taxes Receivable June 30, 2021</u>
2021	\$ -	\$ 534,600	\$ -	\$ -	\$ 534,600
2020	519,683	-	2,000	(502,272)	19,411
2019	15,560	-	-	(12,047)	3,513
2018	1,577	-	-	(958)	619
2017	389	-	-	(190)	199
2016	-	-	21	(21)	-
2015	-	-	6	(6)	-
2014	157	-	-	-	157
2013	-	-	7	(7)	-
2012	783	-	-	-	783
2011	685	-	(685)	-	-
2010	<u>445</u>	<u>-</u>	<u>(445)</u>	<u>-</u>	<u>-</u>
	<u>\$ 539,279</u>	<u>\$ 534,600</u>	<u>\$ 904</u>	<u>\$ (515,501)</u>	559,282
Allowance for uncollectible taxes					<u>(6,136)</u>
Net property taxes receivable					<u>\$ 553,146</u>

SUPPLEMENTARY INFORMATION

TOWN OF WALDEN, TENNESSEE
Tax Rates and Assessed Valuation Applicable to Last Ten Years and
Uncollected Delinquent Accounts
June 30, 2021

ANALYSIS OF TAX RATES AND ASSESSMENTS

<u>Year of Levy</u>	<u>Assessed Valuation</u>	<u>Tax Rate per \$100 Valuation</u>	<u>Net Taxes Levied</u>
2021	\$100,583,255	\$.5315	\$ 534,600
2020	\$ 86,185,774	\$.6053	\$ 521,682
2019	\$ 85,855,531	\$.5053	\$ 433,828
2018	\$ 85,763,691	\$.4053	\$ 347,600
2017	\$ 85,293,566	\$.3853	\$ 328,636
2016	\$ 76,373,259	\$.4290	\$ 327,641
2015	\$ 75,866,953	\$.4290	\$ 325,469
2014	\$ 75,485,783	\$.4290	\$ 323,834
2013	\$ 73,816,011	\$.4400	\$ 324,790
2012	\$ 73,469,820	\$.4400	\$ 323,267

UNCOLLECTED DELINQUENT TAXES

Delinquent taxes filed and to be collected by the Office of Clerk and Master of Hamilton County, Tennessee are as follows:

<u>Year of Levy</u>	<u>Delinquent Taxes Filed</u>
2020	\$ 19,411
2019	3,513
2018	619
2017	199
2016	-
2015	-
2014	157
2013	-
2012	<u>783</u>
Total	<u>\$ 24,682</u>

TOWN OF WALDEN, TENNESSEE
Schedule of Bond and Insurance Coverage
June 30, 2021

SCHEDULE OF OFFICIALS' BONDS

The town judge is covered by a \$2,500 surety bond.

SCHEDULE OF INSURANCE COVERAGE

Public Entity Partners Risk Management Pool:

	<u>Expiration</u>	<u>Amount</u>	
Property	06-21-22	\$ 2,981,838	
Workmen's compensation	12-31-21	\$ 1,000,000	per accident
		\$ 1,000,000	policy limit
		\$ 1,000,000	per employee
Liability	12-31-21	\$ 3,000,000	each other loss - per occurrence

TOWN OF WALDEN, TENNESSEE
Schedule of Expenditures of State Awards
Year Ended June 30, 2021

<u>Grantor/Pass-through Agency/Program Title</u>	<u>(Accrued) Deferred Grant Revenues June 30, 2020</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>(Accrued) Deferred Grant Revenues June 30, 2021</u>
STATE				
2021 Local Government Direct Appropriations Grant	\$ <u>-</u>	\$ <u>77,270</u>	\$ <u>11,550</u>	\$ <u>65,720</u>

TOWN OF WALDEN, TENNESSEE
Notes to the Schedule of State Awards
For the Year Ended June 30, 2021

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State Awards includes the state grant activity of the Town of Walden, Tennessee and is presented on the modified accrual basis of accounting.

NOTE 2 - INDIRECT COST RATE

The Town of Walden, Tennessee has not elected to use the 10-percent de minimis indirect cost rate or to allocate any indirect cost.

III. INTERNAL CONTROL AND COMPLIANCE SECTION



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Jennifer Waycaster, CPA

**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***

To the Board of Mayor and Aldermen
Town of Walden, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Town of Walden, Tennessee as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Walden, Tennessee's basic financial statements and have issued our report thereon dated September 3, 2021.

Internal Control over Financial Reporting

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

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

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

TOWN OF WALDEN, TENNESSEE
Schedule of Findings and Responses
June 30, 2021

SUMMARY OF AUDIT RESULTS

Opinion:

Unmodified opinion issued on the financial statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Deficiencies:

During the audit of the financial statements, no significant deficiencies in internal controls were disclosed.

Material Noncompliance:

No instances of noncompliance or other matters were disclosed.

TOWN OF WALDEN, TENNESSEE
Schedule of Prior Audit Findings
June 30, 2021

There were no prior year findings.