

TOWN OF WALDEN, TENNESSEE

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2020

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

I. INTRODUCTORY SECTION

TOWN OF WALDEN, TENNESSEE
Table of Contents
June 30, 2020

		Page
I.	INTRODUCTORY SECTION	
	Table of Contents	i
	Roster of Board Members and Management	ii
II.	FINANCIAL SECTION	
	Independent Auditor's Report	1-3
	Management's Discussion and Analysis	4-9
	Basic Financial Statements	
	Government-wide Financial Statements	
	Statement of Net Position	10
	Statement of Activities	11
	Fund Financial Statements	
	Governmental Funds	
	Balance Sheet	12
	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	13
	Statement of Revenues, Expenditures and Changes in Fund Balances	14
	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
	General Fund	
	Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	16-18
	Notes to Financial Statements	19-35
	Required Supplemental Information Other Than MD&A	
	Schedule of Changes in the Town of Walden, Tennessee's Total OPEB Liability and Related Ratios	36
	Supplementary Information	
	Financial Schedules	
	Schedule of Changes in Property Taxes Receivable - General Fund	37
	Tax Rates and Assessed Valuation Applicable to Last Ten Years and Uncollected Delinquent Accounts	38
	Schedule of Bond and Insurance Coverage	39
III.	INTERNAL CONTROL AND COMPLIANCE SECTION	
	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 <i>Government Auditing Standards</i>	40-41
	Schedule of Findings and Responses	42
	Schedule of Prior Audit Findings	43

TOWN OF WALDEN, TENNESSEE
Roster of Board Members and Management
June 30, 2020

Mayor..... William L. Trohanis

Alderwoman Sarah McKenzie

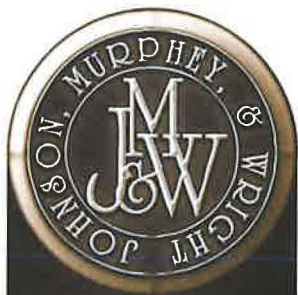
Alderman Lee Davis

Town Recorder/CMFO Fern Lockhart

Judge Herbert A. Thornbury

Attorney Sam Elliott

II. FINANCIAL SECTION



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Paul Johnson, III, CPA

Brian T. Wright, CPA

Karen Hutcherson, CPA

Marianne Greene, 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, 2020, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Town of Walden, Tennessee, as of June 30, 2020, and, the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Changes in the Town of Walden, Tennessee's Total OPEB Liability and Related Ratios listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Walden, Tennessee's basic financial statements. The Introductory Section and Financial Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Financial Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Financial Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2020, 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, Murphy & Wright, P.C.

Chattanooga, Tennessee
November 25, 2020

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, 2020. We encourage readers to consider the information presented here in conjunction with the Town's financial statements.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the Town of Walden, Tennessee exceeded its liabilities and deferred inflows at June 30, 2020, by \$6,575,555 (net position). Of this amount \$4,592,968 (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 \$194,937.

As of the close of the current fiscal year, the Town of Walden, Tennessee's governmental fund reported an ending fund balance of \$4,586,260. Within the governmental funds, \$1,500,000 is committed for savings and \$300,000 is committed for stabilization.

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 35 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 and deferred outflows of resources exceeded liabilities and deferred inflows by \$6,575,555 at the close of this fiscal year.

A large portion of the Town of Walden, Tennessee's net position (30.15%) 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.

\$151 of the Town of Walden, Tennessee's net position represents resources that are subject to external restrictions on how they may be used. \$4,592,968 or 69.85% of net position are unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At June 30, 2020, 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>2020</u>	<u>2019</u>
Capital assets	\$ 1,982,436	\$ 1,883,375
Other assets	<u>5,583,310</u>	<u>5,379,974</u>
Total assets	<u>\$ 7,565,746</u>	<u>\$ 7,263,349</u>
Deferred outflows of resources	<u>\$ 181</u>	<u>\$ -</u>
Long-term liabilities	\$ 5,008	\$ 2,781
Other liabilities	<u>465,681</u>	<u>446,518</u>
Total liabilities	<u>\$ 470,689</u>	<u>\$ 449,299</u>
Deferred inflows of resources	<u>\$ 519,683</u>	<u>\$ 433,362</u>
Investment in capital assets	\$ 1,982,436	\$ 1,883,375
Restricted	151	-
Unrestricted	<u>4,592,968</u>	<u>4,497,313</u>
Total net position	<u>\$ 6,575,555</u>	<u>\$ 6,380,688</u>

Change in Net Position

Governmental activities increased the Town of Walden, Tennessee's net position by \$194,937.

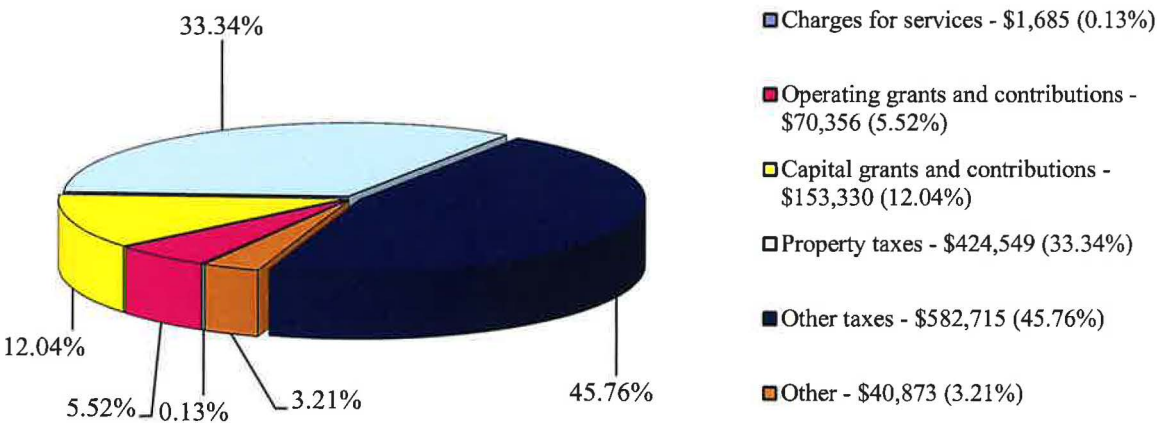
The table below provides a summary of the Town's net position.

Town of Walden, Tennessee's Changes in Net Position

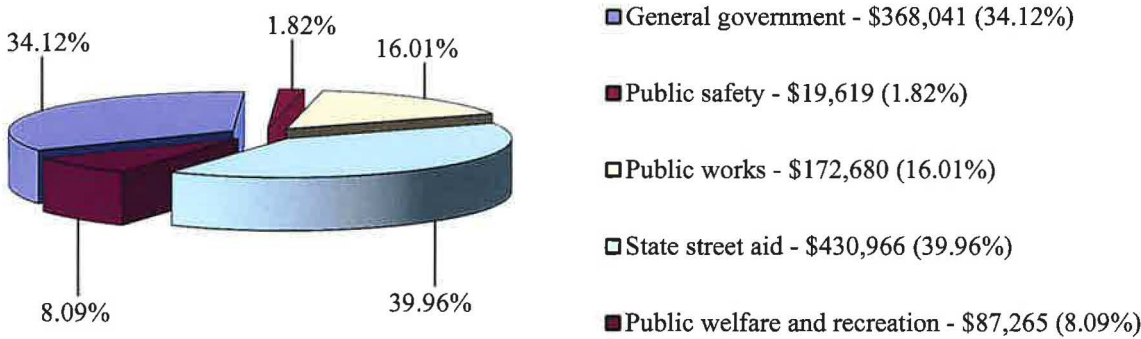
	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,685	\$ 2,400
Operating grants and contributions	70,356	70,223
Capital grants and contributions	153,330	3,627
General revenues:		
Property taxes	424,549	342,315
Other taxes	582,715	574,613
Other	<u>40,873</u>	<u>45,015</u>
Total revenues	<u>1,273,508</u>	<u>1,038,193</u>
Expenses:		
General government	368,041	357,011
Public safety	19,619	20,769
Public works	172,680	172,718
State street aid	430,966	444,521
Public welfare and recreation	<u>87,265</u>	<u>91,881</u>
Total expenses	<u>1,078,571</u>	<u>1,086,900</u>
Increase (decrease) in net position	194,937	(48,707)
Net position - beginning (as restated)	<u>6,380,618</u>	<u>6,429,395</u>
Net position - ending	<u>\$ 6,575,555</u>	<u>\$ 6,380,688</u>

The graphs below summarize the \$1,273,508 of Town-wide revenues by source and the associated \$1,078,571 of expense by program.

Town-Wide Sources of Revenue

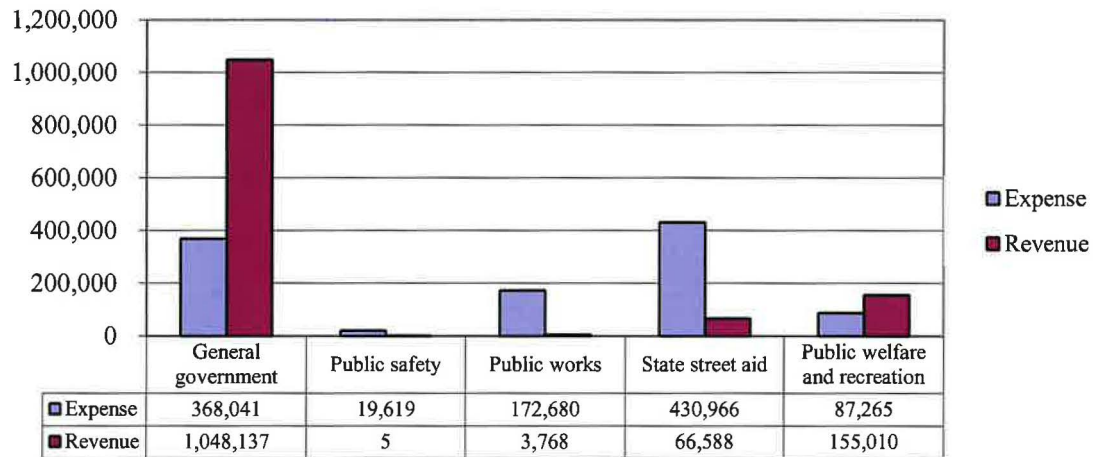


Town-Wide Program Expenses



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 \$4,586,260.

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.

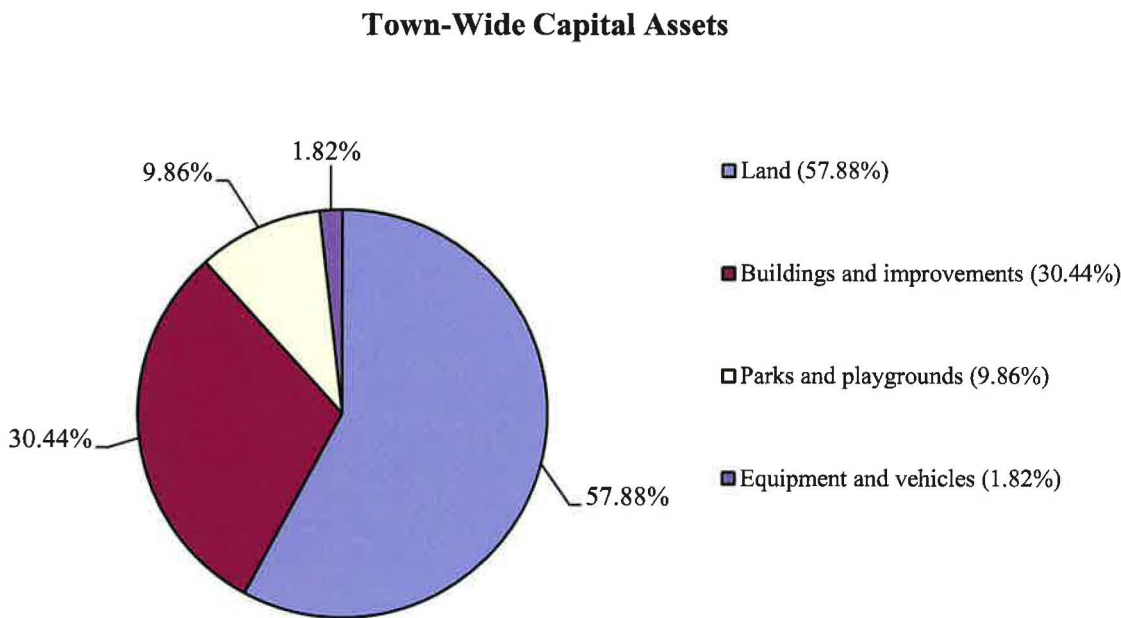
Town of Walden, Tennessee's Capital Assets (Net of Depreciation)

Land	\$ 1,147,472
Buildings and improvements	603,550
Parks and playgrounds	195,543
Equipment and vehicles	35,871
Furniture and fixtures	-
	<u>\$ 1,982,436</u>

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

Land	\$ 100,000
Dog park	\$ 36,334
2019 Ford F-250 Crew Cab	\$ 31,789
Front gate/rock entrance	\$ 10,651
Water line replacement	\$ 4,280

The following graph provides a breakdown of which assets make up the largest portion of the Town’s total investment in 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 \$5,008 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, 2020

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 4,398,554
Investments	423,956
Property taxes receivable - net	534,601
Other receivables	6,266
Due from other governments	219,782
Total current assets	<u>5,583,159</u>
Non-current assets	
Other assets	
Net OPEB asset	<u>151</u>
Capital assets	
Land	1,147,472
Other capital assets - net of accumulated depreciation	834,964
Total capital assets	<u>1,982,436</u>
Total non-current assets	<u>1,982,587</u>
TOTAL ASSETS	<u><u>\$ 7,565,746</u></u>
 DEFERRRED OUTFLOWS OF RESOURCES	
Deferred outflows related to OPEB	<u>\$ 181</u>
 LIABILITIES	
Current assets	
Accounts payable	\$ 24,417
Accrued liabilities	2,871
Due to other governments	438,393
Total current liabilities	<u>465,681</u>
Non-current liabilities	
Compensated absences	<u>5,008</u>
TOTAL LIABILITIES	<u><u>\$ 470,689</u></u>
 DEFERRRED INFLOWS OF RESOURCES	
Deferred revenue - property taxes	<u>\$ 519,683</u>
 NET POSITION	
Investment in capital assets	\$ 1,982,436
Restricted for OPEB	151
Unrestricted	4,592,968
TOTAL NET POSITION	<u><u>\$ 6,575,555</u></u>

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

TOWN OF WALDEN, TENNESSEE
Statement of Activities
Year Ended June 30, 2020

Functions/Programs		Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
<u>Primary Government:</u>	<u>Expenses</u>				<u>Governmental Activities</u>
Governmental activities:					
General government	\$ 368,041	\$ -	\$ -	\$ -	\$ (368,041)
Public safety	19,619	5	-	-	(19,614)
Public works	172,680	-	3,768	-	(168,912)
State street aid	430,966	-	66,588	-	(364,378)
Public welfare and recreation	87,265	1,680	-	153,330	67,745
Total primary government	<u>\$ 1,078,571</u>	<u>\$ 1,685</u>	<u>\$ 70,356</u>	<u>\$ 153,330</u>	<u>(853,200)</u>
General revenues:					
					424,549
Property taxes					2,529
Interest and penalties					10,745
Utility tax					162,497
Local option sales tax					28,444
Wholesale beer tax					34,101
Franchise tax					344,399
Other state taxes					23,797
Interest					221
Negative OPEB expense					16,855
Miscellaneous					<u>1,048,137</u>
Total general revenues					
					194,937
Change in net position					
Net position - beginning (as restated)					<u>6,380,618</u>
Net position - end					<u>\$ 6,575,555</u>

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

TOWN OF WALDEN, TENNESSEE
Governmental Funds
Balance Sheet
June 30, 2020

	General Fund
ASSETS	
Cash and cash equivalents	\$ 4,398,554
Investments	423,956
Property taxes receivable - net	534,601
Other receivables	6,266
Due from other governments	219,782
TOTAL ASSETS	\$ 5,583,159
LIABILITIES	
Accounts payable	\$ 24,417
Accrued liabilities	2,871
Due to other governments	438,393
TOTAL LIABILITIES	\$ 465,681
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue - property taxes	\$ 531,218
FUND BALANCES	
Committed	\$ 1,800,000
Unassigned	2,786,260
TOTAL FUND BALANCES	\$ 4,586,260

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, 2020

Total fund balances per governmental funds balance sheet	\$ 4,586,260
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,982,436
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(5,008)
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.	11,535
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>332</u>
Net position of governmental activities	<u>\$ 6,575,555</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, 2020

	<u>General Fund</u>
REVENUES	
Taxes	\$ 656,202
Intergovernmental	414,755
Fines and forfeitures	5
Other	<u>80,733</u>
TOTAL REVENUES	<u>1,151,695</u>
EXPENDITURES	
Current expenditures	
General government	324,239
Public safety	18,223
Public works	172,680
State street aid	426,398
Public welfare and recreation	49,331
Capital outlay	<u>69,785</u>
TOTAL EXPENDITURES	<u>1,060,656</u>
Net changes in fund balances	91,039
Fund balances - beginning	<u>4,495,221</u>
Fund balances - end	<u>\$ 4,586,260</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, 2020

Net change in fund balances for total governmental funds	\$ 91,039
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.	99,061
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	6,662
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.	402
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>(2,227)</u>
Change in net position of governmental activities	<u>\$ 194,937</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, 2020

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Taxes				
Property taxes	\$ 396,000	\$ 396,000	\$ 417,886	\$ 21,886
Interest and penalties	2,200	2,200	2,529	329
Utility tax	10,000	10,000	10,745	745
Local option sales tax	85,000	85,000	162,497	77,497
Wholesale beer tax	25,000	25,000	28,444	3,444
Franchise tax	36,000	36,000	34,101	(1,899)
Total taxes	<u>554,200</u>	<u>554,200</u>	<u>656,202</u>	<u>102,002</u>
Intergovernmental				
State of Tennessee:				
Sales tax	160,000	160,000	173,840	13,840
Beer tax	900	900	889	(11)
Income tax	205,000	205,000	146,326	(58,674)
City streets and transportation	3,800	3,800	3,768	(32)
Gasoline and motor fuel tax	61,000	61,000	66,588	5,588
TVA in lieu of tax	21,500	21,500	23,344	1,844
Total intergovernmental	<u>452,200</u>	<u>452,200</u>	<u>414,755</u>	<u>(37,445)</u>
Fines and forfeitures				
Municipal court	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</u>
Other				
Interest	6,000	6,000	23,797	17,797
Donation	-	25,000	38,400	13,400
Rental income	1,500	1,500	1,680	180
Miscellaneous	500	500	16,856	16,356
Total other	<u>8,000</u>	<u>33,000</u>	<u>80,733</u>	<u>47,733</u>
TOTAL REVENUES	<u>1,014,400</u>	<u>1,039,400</u>	<u>1,151,695</u>	<u>112,295</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, 2020

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES				
Current expenditures				
General government				
Salaries and wages	\$ 127,501	\$ 127,501	\$ 85,055	\$ 42,446
Payroll taxes	20,000	20,000	10,421	9,579
Employee benefits	13,000	13,000	12,098	902
Commissions	8,700	8,700	10,116	(1,416)
Insurance	26,000	26,000	24,936	1,064
Dues and subscriptions	6,000	6,000	5,228	772
Contributions	80,000	80,000	80,000	-
Professional fees	39,000	39,000	59,640	(20,640)
Utilities	30,000	30,000	29,167	833
Conference and travel	55,000	55,000	1,639	53,361
Miscellaneous	1,500	1,500	1,163	337
Office supplies	3,250	3,250	2,801	449
Equipment rental	2,000	2,000	1,975	25
Total general government	<u>411,951</u>	<u>411,951</u>	<u>324,239</u>	<u>87,712</u>
Public safety				
Police				
Enforcement	19,000	19,000	6,787	12,213
Office supplies	100	100	-	100
Training	500	500	-	500
Total police	<u>19,600</u>	<u>19,600</u>	<u>6,787</u>	<u>12,813</u>
Animal control	<u>12,000</u>	<u>12,000</u>	<u>11,436</u>	<u>564</u>
Total public safety	<u>31,600</u>	<u>31,600</u>	<u>18,223</u>	<u>13,377</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>164,338</u>	<u>3,662</u>
Total public works	<u>177,500</u>	<u>177,500</u>	<u>172,680</u>	<u>4,820</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, 2020

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES (Continued)				
Current expenditures (Continued)				
State street aid				
Salaries and wages	\$ 37,000	\$ 37,000	\$ 15,479	\$ 21,521
Professional fees	10,000	10,000	23,078	(13,078)
Road maintenance and paving	540,600	540,600	383,833	156,767
Street lights	4,300	4,300	4,008	292
Total state street aid	<u>591,900</u>	<u>591,900</u>	<u>426,398</u>	<u>165,502</u>
Public welfare and recreation				
Salaries and wages	51,000	51,000	30,817	20,183
Insurance	7,200	7,200	8,413	(1,213)
Park maintenance	18,500	18,500	10,101	8,399
Total public welfare and recreation	<u>76,700</u>	<u>76,700</u>	<u>49,331</u>	<u>27,369</u>
Capital outlay				
General government	5,000	5,000	1,342	3,658
State street aid	47,000	47,000	31,789	15,211
Public welfare and recreation	6,000	31,000	36,654	(5,654)
Total capital outlay	<u>58,000</u>	<u>83,000</u>	<u>69,785</u>	<u>13,215</u>
TOTAL EXPENDITURES	<u>1,347,651</u>	<u>1,372,651</u>	<u>1,060,656</u>	<u>311,995</u>
Net changes in fund balances	(333,251)	(333,251)	91,039	424,290
Fund balances - beginning	<u>4,495,221</u>	<u>4,495,221</u>	<u>4,495,221</u>	<u>-</u>
Fund balances - end	<u>\$ 4,161,970</u>	<u>\$ 4,161,970</u>	<u>\$ 4,586,260</u>	<u>\$ 424,290</u>

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

TOWN OF WALDEN, TENNESSEE
Notes to Financial Statements
June 30, 2020

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 2019 levy is \$.5053 per \$100 of assessed valuation, and the tax rate for the 2020 levy is \$.6053 per \$100 of assessed valuation. Proper allowances are made for estimated uncollectible accounts.

Property taxes for the 2020 levy are considered to be owed to the Town as of the lien date on January 1, 2020. Therefore, the entire 2020 levy was recorded as a receivable and deferred revenue as of June 30, 2020.

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, 2020, 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 \$500 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 one type of item that qualifies for reporting in this category: deferred outflows related to OPEB.

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, 2020 and November 25, 2020, 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, 2020, the carrying amount of the Town's deposits was \$4,822,510 and the bank balance was \$4,865,206. 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	\$ 4,398,554
Investments	<u>423,956</u>
Total	<u>\$ 4,822,510</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 \$423,956. 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, 2020, consist of the following:

<u>Year of Levy</u>	<u>Amount</u>
2020	\$ 519,683
2019	15,560
2018	1,577
2017	389
2016	-
2015	-
2014	157
2013	-
2012	783
2011	685
2010	<u>445</u>
Total	539,279
Less: allowance for uncollectible taxes	<u>(4,678)</u>
Property taxes receivable - net	<u>\$ 534,601</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, 2020, consist of the following:

Franchise tax	<u>\$ 6,266</u>
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NOTE 5 - DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2020, consists of the following:

State of Tennessee shared revenues	\$ 188,869
Hamilton County local sales tax	<u>30,913</u>
Total	<u>\$ 219,782</u>

NOTE 6 - NET OPEB ASSET

Net OPEB asset at June 30, 2020 consists of the following:

Beginning balance (see footnote 16)	\$ (454)
OPEB plan expense	221
Prior year benefit payments	157
Change in deferrals	<u>227</u>
Total	<u>\$ 151</u>

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, 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>\$ 1,047,472</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 1,147,472</u>
Capital assets being depreciated:				
Buildings and improvements	1,520,079	14,931	-	1,535,010
Parks and playgrounds	189,101	36,334	-	225,435
Equipment and vehicles	76,320	31,789	(6,300)	101,809
Furniture and fixtures	<u>15,871</u>	<u>-</u>	<u>-</u>	<u>15,871</u>
Total capital assets being depreciated	<u>1,801,371</u>	<u>83,054</u>	<u>(6,300)</u>	<u>1,878,125</u>
Less accumulated depreciation for:				
Buildings and improvements	868,744	62,716	-	931,460
Parks and playgrounds	15,815	14,077	-	29,892
Equipment and vehicles	65,038	7,200	(6,300)	65,938
Furniture and fixtures	<u>15,871</u>	<u>-</u>	<u>-</u>	<u>15,871</u>
Total accumulated depreciation	<u>965,468</u>	<u>83,993</u>	<u>(6,300)</u>	<u>1,043,161</u>
Total capital assets being depreciated - net	<u>835,903</u>	<u>(939)</u>	<u>-</u>	<u>834,964</u>
Governmental activities capital assets - net	<u>\$ 1,883,375</u>	<u>\$ 99,061</u>	<u>\$ -</u>	<u>\$ 1,982,436</u>

Depreciation expense charged to programs is as follows:

General government	\$ 40,415
Public safety	1,396
Public works	4,568
Public welfare and recreation	<u>37,614</u>
Total	<u>\$ 83,993</u>

NOTE 8 - DEFERRED OUTFLOWS RELATED TO OPEB

Deferred outflows related to OPEB at June 30, 2020, consists of the following:

Beginning balance (see footnote 16)	\$ 384
Current year benefit payments	181
Prior year benefit payments	(157)
Change in deferrals	<u>(227)</u>
Total	<u>\$ 181</u>

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	\$ 5,008
Less: current portion of governmental long-term debt	<u>-</u>
Total governmental long-term debt	<u>\$ 5,008</u>

A summary of changes in governmental long-term debt for the year ended June 30, 2020, is as follows:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2020</u>	<u>Amount Due Within One Year</u>
Compensated absences	<u>\$ 2,781</u>	<u>\$ 2,227</u>	<u>\$ -</u>	\$ 5,008	<u>\$ -</u>
Less: Current portion of governmental long-term debt				<u>-</u>	
Total governmental long-term debt				<u>\$ 5,008</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>\$ 11,535</u>	<u>\$ 519,683</u>	<u>\$ 531,218</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:

\$151 are legally restricted OPEB assets.

NOTE 13 - FUND BALANCES

Fund balances are as follows:

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 Balance Sheet and the government-wide Statement of Net Position:

The governmental fund balance includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide Statement of Net Position. One element of that reconciliation states that, "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." The details of this \$332 difference are as follows:

Deferred outflows related to OPEB	\$ 181
Net OPEB asset	<u>151</u>
Net adjustment	<u>\$ 332</u>

NOTE 14 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

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 \$99,061 difference are as follows:

Depreciation expense	\$(83,993)
Capital outlay	<u>183,054</u>
Net adjustment	<u>\$ 99,061</u>

Another element of that reconciliation states that, "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." The details of this \$402 difference are as follows:

OPEB expense	\$ 221
Contributions	<u>181</u>
Net adjustment	<u>\$ 402</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.

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

General Information About the OPEB Plan (Continued)

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, 2019, 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>

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, 2020, the Town of Walden, Tennessee paid \$181 to the LGOP for OPEB benefits as they came due.

Total OPEB Liability

Actuarial assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent.
Healthcare cost trend rates	6.03% for pre-65 in 2019, decreasing annually over a 10 year period to an ultimate rate of 4.50%. 5.20% for post-65 in 2019, 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.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**Total OPEB Liability** (Continued)**Actuarial assumptions** (Continued)

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2019, valuations were the same as those employed in the July 1, 2018 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 3.51 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.

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Total OPEB liability - beginning balance	\$ 454
Changes for the year:	
Service cost	225
Interest	22
Changes of benefit terms	-
Differences between expected and actual experience	(682)
Change in assumptions	(13)
Benefit payments	(157)
Net changes	(605)
Total OPEB liability - ending balance	\$ (151)

Changes in assumptions

The discount rate was changed from 3.62% as of the beginning of the measurement period to 3.51% as of June 30, 2019. 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 (2.51%)	Discount Rate (3.51%)	1% Increase (4.51%)
Total OPEB liability	\$ (191)	\$ (151)	\$ (115)

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**Changes in the Total OPEB Liability** (Continued)**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 (5.03%/4.20%) <u>decreasing to 4.20%</u>	Healthcare Cost Trend Rates (6.03%/5.20%) <u>decreasing to 4.5%</u>	1% Increase (7.03%/6.20%) <u>decreasing to 5.50%</u>
Total OPEB liability	\$ (159)	\$ (151)	\$ (143)

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

For the fiscal year ended June 30, 2020, the Town of Walden, Tennessee recognized negative OPEB expense of \$221.

Deferred outflows of resources and deferred inflows of resources

For the fiscal year ended June 30, 2020, 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>181</u>	<u>-</u>
Total	<u>\$ 181</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:

2021	\$ -
2022	\$ -
2023	\$ -
2024	\$ -
2025	\$ -
Thereafter	\$ -

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

NOTE 16 - PRIOR PERIOD ADJUSTMENT

During the year, an adjustment was made to the prior year's net OPEB liability and deferred outflows related to OPEB. This change affected the Statement of Activities beginning net position as follows:

Prior year ending net position	\$ 6,380,688
OPEB adjustments	(70)
Current year beginning net position	<u>\$ 6,380,618</u>

NOTE 17 - COMPLIANCE WITH FINANCE RELATED LEGAL AND CONTRACTUAL PROVISIONS

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

NOTE 18 - 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, 2020, was \$131,351. Covered payroll for the same period was \$56,329. The Town's contribution requirement, which is 4.5% of covered payroll, totaled \$2,579 and was made during the year.

NOTE 19 - 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	\$ 2,910,427
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

NOTE 19 - RISK MANAGEMENT POOL (Continued)

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.

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, 2020. No provision has been made in the financial statements for the year ended June 30, 2020, for any estimate of potential unpaid claims.

NOTE 20 - 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 21 - LITIGATION AND CLAIMS

Town management is not aware of any litigation or claims that would be material to the Town's financial statements.

NOTE 22 - 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, 2020

Local Government OPEB Plan

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

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.

SUPPLEMENTARY INFORMATION

TOWN OF WALDEN, TENNESSEE
General Fund
Schedule of Changes in Property Taxes Receivable
Year Ended June 30, 2020

<u>Year of Levy</u>	<u>Taxes Receivable June 30, 2019</u>	<u>Levy</u>	<u>Pickups (Releases)</u>	<u>Collections</u>	<u>Taxes Receivable June 30, 2020</u>
2020	\$ -	\$ 519,683	\$ -	\$ -	\$ 519,683
2019	433,362	-	616	(418,418)	15,560
2018	9,635	-	-	(8,058)	1,577
2017	3,457	-	-	(3,068)	389
2016	-	-	469	(469)	-
2015	-	-	47	(47)	-
2014	157	-	-	-	157
2013	-	-	-	-	-
2012	790	-	-	(7)	783
2011	692	-	-	(7)	685
2010	<u>445</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>445</u>
	<u>\$ 448,538</u>	<u>\$ 519,683</u>	<u>\$ 1,132</u>	<u>\$ (430,074)</u>	539,279
Allowance for uncollectible taxes					<u>(4,678)</u>
Net property taxes receivable					<u>\$ 534,601</u>

TOWN OF WALDEN, TENNESSEE
Tax Rates and Assessed Valuation Applicable to Last Ten Years and
Uncollected Delinquent Accounts
June 30, 2020

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>
2020	\$ 85,855,443	\$.6053	\$ 519,683
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
2011	\$ 73,031,061	\$.4400	\$ 321,336

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>
2019	\$ 15,560
2018	1,577
2017	389
2016	-
2015	-
2014	157
2013	-
2012	783
2011	685
2010	<u>445</u>
Total	<u>\$ 19,596</u>

TOWN OF WALDEN, TENNESSEE
Schedule of Bond and Insurance Coverage
June 30, 2020

SCHEDULE OF OFFICIALS' BONDS

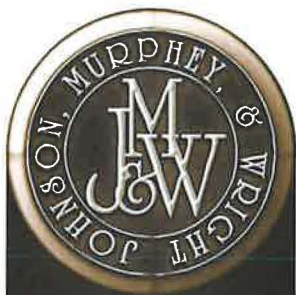
The town judge is covered by a \$2,500 surety bond.

SCHEDULE OF INSURANCE COVERAGE

Public Entity Partners Risk Management Pool:

	<u>Expiration</u>	<u>Amount</u>	
Property	06-21-20	\$ 2,910,427	
Workmen's compensation	12-31-20	\$ 1,000,000	per accident
		\$ 1,000,000	policy limit
		\$ 1,000,000	per employee
Liability	12-31-20	\$ 3,000,000	each other loss - per occurrence

III. INTERNAL CONTROL AND COMPLIANCE SECTION



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**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, 2020, 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 November 25, 2020.

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) to determine the 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.

Compliance and Other Matters

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

Purpose of this Report

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

Johnson, Murphey & Wright, P.C.

Chattanooga, Tennessee
November 25, 2020

TOWN OF WALDEN, TENNESSEE
Schedule of Findings and Responses
June 30, 2020

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, 2020

There were no prior year findings.