

Financial Statements

CITY OF CHARLESTON, TENNESSEE

Year Ended June 30, 2023

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Mayor and Board of Commissioners
City of Charleston, Tennessee
Charleston, Tennessee

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of City of Charleston, Tennessee as of June 30, 2023, the respective changes in its financial position and the respective budgetary comparisons of the general fund and drug fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Charleston, Tennessee and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Charleston, Tennessee's ability to continue as a going concern within twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information/Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 to 11, the schedule of changes in net pension liability(asset) on pages 46 to 47 and the schedule of pension contributions on pages 48 to 49 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other information we obtained during our audit of the 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 an opinion on the financial statements that collectively comprise City of Charleston, Tennessee's financial statements. The accompanying information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of property taxes receivable, lease obligations, principal and interest requirements by fiscal year, changes in lease obligations, long-term debt requirements, changes in long-term debt by individual issue and expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the schedule of principal officials but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2024 on our consideration of City of Charleston, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 City of Charleston, 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 City of Charleston, Tennessee's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mitchell Emert + Hill". The signature is written in a cursive, flowing style.

May 29, 2024

City of Charleston, Tennessee
126 Worth Street
Charleston, TN 37310

Management's Discussion and Analysis
For the Year Ended June 30, 2023

The management of City of Charleston, Tennessee (the City) presents this management's discussion and analysis (MD&A) of the City's financial condition and results of operations for the fiscal year ended June 30, 2023. This information should be read in conjunction with the accompanying financial statements.

This MD&A also presents an overview of the City, also known as the primary government. The government-wide financial statements include only the primary government which is the total reporting entity.

Financial Highlights

The following are key financial highlights:

- The assets of the City were more than its liabilities at June 30, 2023 by 1,241,791 (\$1,146,948 in 2022).
- The City's net position increased by \$94,843 (\$145,140 in 2022) or 8% during the year ended June 30, 2023 (8% during 2022).
- At June 30, 2023 the City's governmental funds reported combined ending fund balances of \$771,823, an increase of \$27,630 for 2023. At June 30, 2022 the City's governmental funds reported combined ending fund balances of \$744,193, an increase of \$166,330 for the year ended June 30, 2022. As of June 30, 2023 \$764,002 (\$738,680 in 2022) of governmental fund balances was unassigned and available for ongoing operations.
- At June 30, 2023 the unassigned general fund balance was \$764,002 (\$738,680 in 2022) or 97% (131% in 2022) of general fund expenditures. This demonstrates the City's fiscal discipline and will help meet unexpected emergencies and other uncertainties the City may face during the course of everyday operations.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of 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 City's finances in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the City'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, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements report functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities).

The governmental activities of the City include the following:

- General Government
- Public Safety
- Public Welfare
- Sanitation
- Highways and Streets

The government-wide financial statements can be found on pages 12 to 15 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 City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City only reports one fund category, 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 the 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 City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheets and in the governmental fund statement of revenue, expenditures and changes in fund balances for the general fund and drug fund. To demonstrate compliance with the budget, budgetary comparison statements have been provided for all major funds and are presented on pages 21 to 27.

Notes to the Financial Statements - The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

Internal Control and Compliance Section - This section includes the auditors' report on the City's internal controls and compliance.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's net position at June 30, 2023 was \$1,241,791 (\$1,146,948 in 2022).

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

At June 30, the City's statement of net position consisted of the following:

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets	\$ 1,004,111	\$ 883,665
Net pension asset	0	44,540
Capital assets, net of accumulated depreciation	578,953	419,062
	<u>1,583,064</u>	<u>1,347,267</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension	170,642	82,486
	<u>\$ 1,753,706</u>	<u>\$ 1,429,753</u>
LIABILITIES		
Current liabilities	\$ 46,746	\$ 33,718
Net pension liability	117,090	0
Long-term liabilities	117,481	50,162
	<u>281,317</u>	<u>83,880</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	87,800	88,618
Deferred grant revenue	121,339	33,432
Deferred inflows related to pension	21,458	76,875
	<u>230,597</u>	<u>198,925</u>
NET POSITION		
Investment in capital assets	428,791	344,996
Restricted	7,821	50,053
Unrestricted	805,179	751,899
	<u>1,241,791</u>	<u>1,146,948</u>
	<u>\$ 1,753,706</u>	<u>\$ 1,429,753</u>

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The unrestricted net position may be used to meet the obligations to employees and creditors and to help fund next year's budget.

Following is a summary of financial activities for the City during the fiscal year ended June 30:

	<u>2023</u>	<u>2022</u>
REVENUE		
Program Revenue:		
Fees, fines and charges for services	\$ 29,522	\$ 22,410
Operating grants and contributions	34,235	129,078
Capital grants and contributions	44,817	0
General Revenue:		
Local taxes	428,256	457,356
Intergovernmental	140,643	99,927
Investment earnings	22,480	1,024
Miscellaneous	<u>16,594</u>	<u>25,720</u>
Total Revenue	716,547	735,515
 EXPENSES		
General government	119,104	94,976
Streets and highways	101,785	139,539
Sanitation	42,453	41,493
Public safety	304,634	268,814
Public welfare	<u>53,728</u>	<u>45,552</u>
Total Expenses	<u>621,704</u>	<u>590,374</u>
Increase in Net Position	94,843	145,140
Net position at the beginning of the year	<u>1,146,948</u>	<u>1,001,807</u>
Net position at the end of the year	<u>\$ 1,241,791</u>	<u>\$ 1,146,948</u>

Governmental Activities - For the year ended June 30, 2023, governmental activities increased the City's net position by \$94,843 (\$145,140 in 2022) mostly due to decreased grants and contributions.

The City's main sources of revenue are from local option sales tax, local beer taxes, property taxes, court revenue, and local and state-shared taxes which consist of tax revenue shared by the State of Tennessee. Revenue decreased for the year due to the City receiving decreased tax revenue and operating grants. Expenses increased for the year mostly due to increased capital outlay and salaries.

Capital Assets

The City's investment in capital assets as of June 30, 2023 was \$578,953 (\$419,062 in 2022) net of accumulated depreciation.

	<u>2023</u>	<u>2022</u>
Land	\$ 91,296	\$ 91,296
Buildings	384,798	214,525
Machinery and equipment	382,907	360,492
Infrastructure	289,722	248,508
Leased vehicles	124,143	124,143
Vehicles	279,062	279,062
Accumulated depreciation	<u>(972,977)</u>	<u>(898,964)</u>
	<u>\$ 578,953</u>	<u>\$ 419,062</u>

The major capital assets additions during the year ended June 30, 2023 include:

Buildings	\$ 170,273
Machinery and equipment	22,416
Infrastructure	<u>41,214</u>
	<u>\$ 233,904</u>

Debt Administration

At June 30, 2023 the City had outstanding long-term leases of \$50,162 (\$74,066 in 2022).

	<u>2023</u>	<u>2022</u>
Municipal lease	\$ 50,162	\$ 74,066
Less: current portion due	<u>(24,681)</u>	<u>(23,904)</u>
Total long-term lease –principal	<u>\$ 25,481</u>	<u>\$ 50,162</u>

During the year ended June 30, 2023, the City retired \$23,904 of its governmental funds long-term leases (\$23,151 in 2022).

At June 30, 2023 the City had outstanding long-term debt of \$100,000 (\$0 in 2022).

	<u>2023</u>	<u>2022</u>
General obligation bond	\$ 100,000	\$ 0
Less: current portion due	<u>(8,000)</u>	<u>0</u>
Total long-term debt –principal	<u>\$ 92,000</u>	<u>\$ 0</u>

During the year ended June 30, 2023, the City retired \$23,904 of its governmental funds long-term leases (\$23,151 in 2022).

Financial Analysis of the City's Funds

As previously discussed, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The general fund's fund balance increased by \$25,322 during the year ended June 30, 2023 (increased by \$165,952 in 2022).

Budgetary Highlights

During the year ended June 30, 2023, there were no differences between original budgeted revenue and final budgeted revenue for the general fund or the drug fund. The original budgeted expenditures and final budgeted expenditures for the general fund increased by \$180,367 during the year ended June 30, 2023 due to increased small equipment and capital outlay expenditures which were not originally budgeted for. There were no differences between original budgeted expenditures and final budgeted expenditures for the drug fund.

Economic Factors and Next Year's Budgets and Rates

The Mayor and Board of Commissioners approved the budget for the year ending June 30, 2024. Budgeted revenue and expenditures did not vary significantly from the budget for the year ended June 30, 2023.

Requests for Information

The MD&A and accompanying financial statements and notes are designed to provide our citizens, employees, creditors and regulatory agencies with an overview of the City's finances. If you have any questions or need additional information, you may contact:

Scott Bonk, City Recorder
City of Charleston, Tennessee
126 Worth Street
Charleston, TN 37310
Telephone 423-336-1483

CITY OF CHARLESTON, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 120,857
Local Government Investment Pool	678,696
Property taxes receivable	96,883
Grant receivable	28,319
Other taxes receivable	24,994
Due from other governments	54,316
Other accounts receivable	45
Capital assets not being depreciated	91,296
Capital assets being depreciated, net of accumulated depreciation	<u>487,657</u>
	1,583,064
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	<u>170,642</u>
	<u><u>\$ 1,753,706</u></u>

See the accompanying notes to the financial statements.

	<u>Governmental Activities</u>
LIABILITIES	
Accounts payable	\$ 14,065
Current portion of long-term leases	24,681
Current portion of long-term debt	8,000
Net pension liability	117,090
Long-term leases, net of current portion	25,481
Long-term debt, net of current portion	<u>92,000</u>
	281,317
DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	87,800
Deferred grant revenue	121,339
Deferred inflows related to pension	<u>21,458</u>
	230,597
NET POSITION	
Net investment in capital assets	428,791
Restricted:	
Drug enforcement	7,821
Unrestricted	<u>805,179</u>
	<u>1,241,791</u>
	<u>\$ 1,753,706</u>

CITY OF CHARLESTON, TENNESSEE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 119,104	\$ 5,783	\$ 0	\$ 44,817
Public safety	304,634	22,715	3,200	0
Public welfare	53,728	1,024	0	0
Streets and highways	101,785	0	31,035	0
Solid waste management	<u>42,453</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total governmental activities	<u>\$ 621,704</u>	<u>\$ 29,522</u>	<u>\$ 34,235</u>	<u>\$ 44,817</u>
General Revenue:				
Taxes:				
Local sales tax				
Wholesale beer taxes				
Cable TV franchise tax				
Property taxes				
Interest and penalty				
Intergovernmental				
Investment earnings				
Miscellaneous				
Total general revenue				

CHANGE IN NET POSITION

NET POSITION AT THE BEGINNING OF THE YEAR

NET POSITION AT THE END OF THE YEAR

See the accompanying notes to the financial statements.

Net (Expense)
Revenue and
Changes In
Net Position

\$ (68,504)
(278,719)
(52,704)
(70,750)
(42,453)

(513,130)

264,707
67,816
6,381
84,971
4,381
140,643
22,480
16,594

607,973

94,843

1,146,948

\$ 1,241,791

CITY OF CHARLESTON, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2023

	<u>General Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
ASSETS			
Cash	\$ 113,035	\$ 7,821	\$ 120,857
Investments	678,696	0	678,696
Property taxes receivable	96,883	0	96,883
Other taxes receivable	24,994	0	24,994
Grant receivable	28,319	0	28,319
Due from other governments	54,316	0	54,316
Other accounts receivable	<u>45</u>	<u>0</u>	<u>45</u>
	<u>\$ 996,289</u>	<u>\$ 7,821</u>	<u>\$ 1,004,110</u>
LIABILITIES			
Accounts payable	\$ 14,065	\$ 0	\$ 14,065
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	96,883	0	96,883
Deferred grant revenue	<u>121,339</u>	<u>0</u>	<u>121,339</u>
	218,222	0	218,222
FUND BALANCES			
Restricted	0	7,821	7,821
Unassigned	<u>764,002</u>	<u>0</u>	<u>764,002</u>
	<u>764,002</u>	<u>7,821</u>	<u>771,823</u>
	<u>\$ 996,289</u>	<u>\$ 7,821</u>	<u>\$ 1,004,110</u>

See the accompanying notes to the financial statements.

CITY OF CHARLESTON, TENNESSEE

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2023

Total Fund Balance - Governmental Funds	\$ 771,823
Capital assets used in governmental activities are reported in the statement of net position; however, they are not current financial resources and therefore are not reported in the governmental funds balance sheet.	578,952
Net pension assets and liabilities, and the related deferred outflows and deferred inflows are reported in the statement of net position; however, they are not current financial resources; therefore, they are not reported in the governmental funds balance sheet.	
Net pension asset(liability)	(117,090)
Deferred outflows of resources	170,642
Deferred inflows of resources	(21,458)
Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current year's expenditures; therefore, they are reported as deferred revenue in the governmental funds balance sheet.	9,083
Long-term liabilities are not due in the current period; therefore, they are not reported in the governmental funds balance sheet.	
Long-term leases	(50,162)
Long-term debt	<u>(100,000)</u>
Net Position of Governmental Activities	<u>\$ 1,241,791</u>

See the accompanying notes to the financial statements.

CITY OF CHARLESTON, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

Year Ended June 30, 2023

	<u>General Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
REVENUE			
Taxes:			
Local sales tax	\$ 264,707	\$ 0	\$ 264,707
Wholesale beer tax	67,816	0	67,816
Cable TV franchise tax	6,381	0	6,381
Property tax	83,496	0	83,496
Interest and penalty	4,381	0	4,381
Intergovernmental	219,695	0	219,695
Licenses, permits and fees	1,580	0	1,580
Charges for services	5,227	0	5,227
Fines and forfeitures	18,887	3,828	22,715
Investment earnings	22,480	0	22,480
Miscellaneous	16,594	0	16,594
	<u>711,244</u>	<u>3,828</u>	<u>715,072</u>
TOTAL REVENUE	711,244	3,828	715,072
EXPENDITURES			
Current:			
General government	96,528	0	96,528
Public safety	268,580	1,520	270,100
Public welfare	38,857	0	38,857
Streets and highways	86,864	0	86,864
Solid waste management	34,878	0	34,878
Capital outlay	233,904	0	233,904
Debt service	26,310	0	26,310
	<u>785,922</u>	<u>1,520</u>	<u>787,442</u>
TOTAL EXPENDITURES	785,922	1,520	787,442

See the accompanying notes to the financial statements.

CITY OF CHARLESTON, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

(continued)

Year Ended June 30, 2023

	<u>General Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
NET CHANGES IN FUND BALANCES BEFORE OTHER FINANCING SOURCES	(74,678)	2,308	(72,370)
OTHER FINANCING SOURCES			
Proceeds from issuance of long-term debt	<u>100,000</u>	<u>0</u>	<u>100,000</u>
NET CHANGES IN FUND BALANCES	25,322	2,308	27,630
FUND BALANCES AT THE BEGINNING OF THE YEAR	<u>738,680</u>	<u>5,513</u>	<u>744,193</u>
FUND BALANCES AT THE END OF THE YEAR	<u>\$ 764,002</u>	<u>\$ 7,821</u>	<u>\$ 771,823</u>

CITY OF CHARLESTON, TENNESSEE

**RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2023

Net Change in Fund Balances - Governmental Funds	\$ 27,630
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>	
Acquisition of capital assets	233,904
Depreciation expense	(74,013)
<p>Retirement contributions made after the actuarial measurement date are an expenditure in the governmental funds, but increase deferred outflows for governmental activities</p>	
	13,108
<p>Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental fund financial statements:</p>	
Deferred property tax revenue - June 30, 2022	(7,607)
Deferred property tax revenue - June 30, 2023	9,083
<p>Pension expense reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental fund financial statements.</p>	
	(31,166)
<p>Repayment of long-term leases is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities.</p>	
	23,904
<p>Long-term debt provides current financial resources in the governmental funds, but the issuance of debt increases long-term debt obligations for governmental activities.</p>	
	<u>(100,000)</u>
Change in Net Position of Governmental Activities	<u>\$ 94,843</u>

See the accompanying notes to the financial statements.

CITY OF CHARLESTON, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

Year Ended June 30, 2023

	<u>Budget</u>			Variance Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
REVENUE				
Taxes:				
Local sales tax	\$ 220,000	\$ 220,000	\$ 264,707	\$ 44,707
Wholesale beer tax	72,150	72,150	67,816	(4,334)
Cable TV franchise tax	6,100	6,100	6,381	281
Property taxes	84,500	84,500	83,496	(1,004)
Interest and penalty	2,500	2,500	4,381	1,881
	<u>385,250</u>	<u>385,250</u>	<u>426,781</u>	<u>41,531</u>
Intergovernmental:				
TVA In-Lieu of tax payments	9,366	9,366	10,725	1,359
State income tax	0	0	1,379	1,379
State business tax	11,000	11,000	19,001	8,001
State gas tax	32,100	32,100	31,035	(1,065)
State beer tax	419	419	407	(12)
State sales tax	99,000	99,000	106,123	7,123
Sport betting tax	700	700	1,408	708
Local grants	141,225	141,225	29,319	(111,906)
ARPA grant	15,498	15,498	15,498	0
Highway safety grant	5,000	5,000	0	(5,000)
State law enforcement supplement	2,400	2,400	3,200	800
City streets and transportation	1,600	1,600	1,599	(1)
	<u>318,308</u>	<u>318,308</u>	<u>219,695</u>	<u>(98,613)</u>
Licenses and permits:				
Business license	500	500	630	130
Beer license	700	700	950	250
	<u>1,200</u>	<u>1,200</u>	<u>1,580</u>	<u>380</u>

See the accompanying notes to the financial statements.

CITY OF CHARLESTON, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**
GENERAL FUND

(continued)

Year Ended June 30, 2023

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Over (Under)
Charges for services:				
Parks and recreation	850	850	1,024	174
Rental fees	<u>6,000</u>	<u>6,000</u>	<u>4,203</u>	<u>(1,797)</u>
	6,850	6,850	5,227	(1,623)
 Fines and forfeitures	 12,000	 12,000	 18,887	 6,887
 Other revenue:				
Miscellaneous	78,471	78,471	16,402	(62,069)
Sale of equipment	0	0	192	192
Interest	<u>500</u>	<u>500</u>	<u>22,480</u>	<u>21,980</u>
	78,971	78,971	39,074	(39,897)
 TOTAL REVENUE	 802,579	 802,579	 711,244	 (91,335)
 EXPENDITURES				
General government:				
City recorder and manager salaries	22,200	22,200	22,200	0
Mayor and commissioner salaries	9,600	9,600	9,100	(500)
City judge salary	3,300	3,300	3,300	0
OASDI employer's share	20,920	20,920	18,897	(2,023)
Retirement	15,000	15,000	13,225	(1,775)
Unemployment insurance	400	400	243	(157)
Insurance	5,300	5,300	4,019	(1,281)
Publication and dues	1,260	1,396	912	(484)
Accounting and auditing	10,100	10,100	10,100	0
Legal services	250	250	0	(250)
Office supplies	850	850	779	(71)
Utilities - Heritage Center	0	101	101	0

CITY OF CHARLESTON, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**

GENERAL FUND

(continued)

Year Ended June 30, 2023

	Budget		Actual	Variance Over (Under)
	Original	Final		
General government(continued):				
Small equipment	500	500	0	(500)
Other operating costs	0	4,763	4,763	0
	<u>89,680</u>	<u>94,680</u>	<u>87,638</u>	<u>(7,042)</u>
General government building:				
Utilities	3,800	4,372	4,372	0
Repairs and maintenance	2,700	3,524	3,424	(100)
Insurance	1,255	1,255	1,083	(172)
Small equipment	300	300	11	(289)
	<u>8,055</u>	<u>9,451</u>	<u>8,890</u>	<u>(561)</u>
Police department:				
Salaries	151,360	151,360	142,427	(8,933)
Health insurance	9,600	9,600	8,600	(1,000)
Office expense	1,200	1,200	604	(596)
Operating supplies	2,600	2,785	2,291	(494)
Telephone	4,560	4,560	4,353	(207)
Gasoline	14,000	15,092	15,092	0
Repairs and maintenance	1,000	2,526	2,526	0
Training	1,500	1,500	69	(1,431)
Uniforms	4,900	4,900	4,304	(596)
E911 contract	13,090	13,090	13,090	0
10th judicial drug task force	8,500	8,500	8,500	0
Small equipment	13,051	20,248	18,121	(2,127)
Insurance	14,450	14,450	11,314	(3,136)
	<u>239,811</u>	<u>249,810</u>	<u>231,290</u>	<u>(18,520)</u>

CITY OF CHARLESTON, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**
GENERAL FUND

(continued)

Year Ended June 30, 2023

	Budget		Actual	Variance Over (Under)
	Original	Final		
Fire department:				
Fire contract	35,000	35,000	35,000	0
Equipment	21,312	21,312	633	(20,679)
Insurance	1,854	1,854	1,657	(197)
	<u>58,166</u>	<u>58,166</u>	<u>37,290</u>	<u>(20,876)</u>
Streets and highways:				
Salaries	52,008	52,008	43,407	(8,601)
Health insurance	2,400	2,400	1,800	(600)
Utilities	21,400	22,537	22,525	(12)
Repairs and maintenance	3,000	3,426	3,426	0
Gasoline	6,000	6,000	5,084	(916)
Operating supplies	1,400	1,400	952	(448)
Uniforms	500	587	587	0
Small equipment	2,400	2,400	701	(1,699)
Insurance	6,165	6,165	5,851	(314)
Street paving	124,938	124,938	2,531	(122,407)
	<u>220,211</u>	<u>221,862</u>	<u>86,864</u>	<u>(134,998)</u>
Sanitation:				
Salaries	16,640	16,640	15,911	(729)
Landfill fees	10,000	10,000	9,656	(344)
Gasoline	3,500	3,500	3,316	(184)
Repairs and maintenance	1,000	2,263	2,263	0
Operating supplies	300	325	221	(104)
Insurance	2,000	3,510	3,510	0
	<u>33,440</u>	<u>36,239</u>	<u>34,878</u>	<u>(1,361)</u>

CITY OF CHARLESTON, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**
GENERAL FUND

(continued)

Year Ended June 30, 2023

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Over (Under)
Parks and recreation:				
Utilities	5,500	5,500	5,048	(452)
Gas	2,100	2,100	1,312	(788)
Repairs and maintenance	15,104	21,875	11,385	(10,490)
Operating supplies	4,500	6,915	6,915	0
Special events	10,000	10,320	10,320	0
Small equipment	2,439	2,439	782	(1,657)
Insurance	3,475	3,475	3,094	(381)
	<u>43,118</u>	<u>52,624</u>	<u>38,857</u>	<u>(13,767)</u>
Capital outlay:				
General government	21,114	170,273	170,273	0
Public safety	4,000	4,857	4,857	0
Parks and recreation	58,774	58,774	58,774	0
	<u>83,888</u>	<u>233,904</u>	<u>233,904</u>	<u>0</u>
Debt service:				
Principal	23,904	23,904	23,904	0
Interest	2,406	2,406	2,406	0
	<u>26,310</u>	<u>26,310</u>	<u>26,310</u>	<u>0</u>
TOTAL EXPENDITURES	<u>802,679</u>	<u>983,046</u>	<u>785,922</u>	<u>(197,124)</u>
NET CHANGES IN FUND BALANCE BEFORE OTHER FINANCING SOURCES	(100)	(180,467)	(74,678)	105,789
OTHER FINANCING SOURCES				
Proceeds from issuance of long-term debt	<u>0</u>	<u>0</u>	<u>100,000</u>	<u>100,000</u>

CITY OF CHARLESTON, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**

GENERAL FUND

(continued)

Year Ended June 30, 2023

	Budget		Actual	Variance Over (Under)
	Original	Final		
NET CHANGE IN FUND BALANCE	(100)	(180,467)	25,322	205,789
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>100</u>	<u>180,467</u>	<u>738,680</u>	<u>558,213</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 764,002</u>	<u>\$ 764,002</u>

CITY OF CHARLESTON, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
DRUG FUND**

Year Ended June 30, 2023

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Drug related fines	\$ 3,140	\$ 3,140	\$ 3,828	\$ 688
EXPENDITURES				
Equipment	<u>3,040</u>	<u>3,040</u>	<u>1,520</u>	<u>(1,520)</u>
NET CHANGE IN FUND BALANCE	100	100	2,308	2,208
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>5,513</u>	<u>5,513</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 7,821</u>	<u>\$ 7,721</u>

See the accompanying notes to the financial statements.

CITY OF CHARLESTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE A - DESCRIPTION OF ORGANIZATION

City of Charleston, Tennessee (the City) was incorporated in 1956 under the provisions of Sections 6-18-101 et seq. of the Tennessee Code Annotated. The City operates under a City Manager-Commission form of government and provides the following services as authorized by its charter: finance, public safety and public works and welfare.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City, for financial reporting purposes, includes all funds relevant to the operation of City of Charleston, Tennessee. The financial statements presented herein do not include agencies that have been formed under applicable state laws, or separate and distinct units of government apart from the City. As of June 30, 2023 and for the year then ended, the City had no discretely presented component units which were required to be included in these financial statements.

Government-wide and fund financial statements

The government-wide financial statements, which consist of the statement of net position and the statement of activities report information on all nonfiduciary activities of the City. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

CITY OF CHARLESTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Measurement Focus, Basis of Accounting and Basis of Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures related to claims and judgments, are recorded only when the payment is due.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *drug fund* is used to account for costs associated with the drug investigation and control and officers' training and purchases of equipment.

The City had no proprietary funds, internal service funds or fiduciary funds as of or for the year ended June 30, 2023.

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting reporting purposes into the following three net position groups:

CITY OF CHARLESTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Net Investment in Capital Assets

This category includes capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Net investment in capital assets at June 30, 2023 has been calculated as follows:

Governmental activities:

Capital assets	\$ 1,551,929
Accumulated depreciation	(972,977)
Principal balance on municipal lease	(50,162)
Principal balance on long-term debt	<u>(100,000)</u>
	<u>\$ 428,791</u>

Restricted

This category includes net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the City pursuant to those stipulations or that expire by the passage of time. Current net position of the drug fund is classified as restricted net position because its use is limited to police drug enforcement or education programs. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. The City had restricted net position as of \$7,821 as of June 30, 2023.

Unrestricted

This category includes net position that is not subject to externally imposed stipulations and that does not meet the definition of "Restricted" or "Net Investment in Capital Assets". Unrestricted net position may be designated for specific purposes by action of management or the Mayor and Board of Commissioners or may otherwise be limited by contractual agreements with outside parties.

CITY OF CHARLESTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Fund Balances

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* establishes 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 Fund Balances

Fund balances reported as nonspendable in the accompanying financial statements represent amounts for prepaid expenses or inventory.

Restricted Fund Balances

Fund balances reported as restricted in the accompanying financial statements represent amounts restricted to specific purposes by externally imposed restrictions or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balances

Fund balances reported as committed in the accompanying financial statements represent amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The Mayor and Board of Commissioners commit resources for specific purposes by passing ordinances.

Assigned Fund Balances

Fund balances reported as assigned in the accompanying financial statements represent amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by the Mayor and Board of Commissioners

Unassigned Fund Balance

In accordance with generally accepted accounting principles, the general fund is the only fund at the City 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.

CITY OF CHARLESTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities columns on the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of \$2,000 or more. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at estimated fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 50 years.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Compensated Absences

Employees of the City are granted vacation and sick leave in varying amounts and may accumulate a maximum of 10 vacation days and 10 sick days. The City's policies do not provide for an employee to be paid for any unused vacation or sick leave in the event of termination. Accordingly, no liability for compensated absences is included in the accompanying financial statements.

Budgets and Budgetary Accounting

The Mayor and Board of Commissioners are required to adopt, by ordinance, total budget appropriations by line item for all funds. The City's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP). All budget amendments must be approved by the Mayor and Board of Commissioners. Unused appropriations lapse at the end of the year.

Property Taxes

Property taxes are levied on October 1, and are due and payable at that time. Taxes become delinquent and begin accumulating interest and penalties the following March 1, and attach as an enforceable lien on property after one year of delinquency.

CITY OF CHARLESTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Allowance for Uncollectible Accounts

An allowance for uncollectible property taxes receivable is provided based upon historical trends. No allowance for uncollectible property taxes was necessary at June 30, 2023.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the City's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

NOTE C - CASH AND INVESTMENTS

Cash represents money on deposit in various banks. Cash and investments are stated at cost, which approximates market value. Carrying amounts at June 30, 2023 were as follows:

Cash in bank	\$ 120,857
Local Government Investment Pool	<u>678,696</u>
Total	<u>\$ 799,553</u>

State of Tennessee law authorizes the City to invest in obligations of the United States of America or its agencies, nonconvertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States of America or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the Tennessee Department of the Treasury Local Government Investment Pool (LGIP). The LGIP contains investments in certificates of deposits, U.S. Treasury securities and repurchase agreements, back by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the LGIP.

CITY OF CHARLESTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

A separate financial report for the LGIP is prepared by the Tennessee Department of the Treasury in accordance with GASB Statement No. 31, *Accounting for Financial Reporting for Certain Investments and for External Investment Pools*. That report may be obtained by writing to Tennessee Treasury Department, Local Government Investment Pool, P.O. Box 198785, Nashville, Tennessee 37219-8785 or can be accessed at <http://www.treasury.state.tn.us/lqip/PDF's/fb15annualreport.pdf>.

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits.

All cash balances at June 30, 2023 were entirely insured through the Federal Deposit Insurance Corporation or the State of Tennessee Bank Collateral Pool.

CITY OF CHARLESTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

NOTE D - CAPITAL ASSETS

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

	<u>Balance</u> <u>7/1/22</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/23</u>
Governmental Activities:				
<u>Capital assets not being depreciated</u>				
Land	\$ 91,296	\$ 0	\$ 0	\$ 91,296
<u>Capital assets being depreciated</u>				
Buildings	214,525	170,273	0	384,798
Machinery and equipment	360,492	22,416	0	382,907
Infrastructure	248,508	41,214	0	289,722
Leased vehicles	124,143	0	0	124,143
Vehicles	<u>279,062</u>	<u>0</u>	<u>0</u>	<u>279,062</u>
	1,226,730	233,904	0	1,460,632
<u>Accumulated depreciation</u>				
Buildings	(150,677)	(9,028)	0	(159,705)
Machinery and equipment	(239,383)	(23,599)	0	(262,982)
Infrastructure	(224,413)	(5,049)	0	(229,462)
Leased vehicles	(47,588)	0	0	(47,588)
Vehicles	<u>(236,904)</u>	<u>(36,337)</u>	<u>0</u>	<u>(273,241)</u>
	<u>(898,964)</u>	<u>(74,013)</u>	<u>0</u>	<u>(972,977)</u>
	<u>\$ 419,062</u>	<u>\$ 159,890</u>	<u>\$ 0</u>	<u>\$ 578,952</u>

CITY OF CHARLESTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Depreciation expense is charged to the various governmental functions as follows:

General government	\$ 4,519
Public safety	32,128
Public welfare	14,871
Streets and highways	14,920
Solid waste management	<u>7,575</u>
	<u>\$ 74,013</u>

NOTE E - PENSION PLAN

Plan Description

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

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria.

CITY OF CHARLESTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than .5%. A 1% COLA is granted if the CPI change is between .5% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	16
Active employees	<u>5</u>
	<u>25</u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of salary. The City makes employer contributions at the rate set by the TCRS Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2023, employer contributions for the City were \$13,225 based on a rate of 7.30% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability(Asset)

The City's net pension liability(asset) was measured as of June 30, 2022, and the total pension liability used to calculate net pension liability(asset) was determined by an actuarial valuation as of that date.

CITY OF CHARLESTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Actuarial Assumptions

The total pension liability as of June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72 to 3.44% based on age, averaging 4.00%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.125%

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

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

CITY OF CHARLESTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	4.88%	31.00%
Developed market international equity	5.37	14.00
Emerging market international equity	6.09	4.00
Private equity and strategic lending	6.57	20.00
U.S fixed income	1.20	20.00
Real estate	4.38	10.00
Short-term securities	0.00	1.00
		<u>100.00%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a blending of the future capital market projections, historical market returns and expected inflation rate, as described above.

Discount Rate

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

CITY OF CHARLESTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a)-(b)
Changes for the year ended June 30, 2022:			
Increase(decrease):			
Service cost	\$ 7,856	\$ 0	\$ 7,856
Interest	23,961	0	23,961
Differences between expected and actual experience	137,047	0	137,047
Changes of assumptions	0	0	0
Contributions-employer	0	15,683	(15,683)
Contributions-employees	0	7,461	(7,461)
Net investment income	0	(15,416)	15,416
Benefit payments, including refunds of employee contributions	(11,119)	(11,119)	0
Administrative expense	0	(494)	494
Net changes for the year ended June 30, 2022	157,745	(3,885)	161,630
Balance at June 30, 2021	352,675	397,215	(44,540)
Balance at June 30, 2022	<u>\$ 510,420</u>	<u>\$ 393,330</u>	<u>\$ 117,090</u>

Sensitivity of the Net Pension Liability(Asset) to Changes in the Discount Rate

The following presents the net pension liability(asset) of the City calculated using the discount rate of 6.75%, as well as what the net pension liability(asset) would be if it were calculated using the discount rate that is 1-percentage-point lower (5.75%) and 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net pension liability(asset)	\$ 198,211	\$ 117,090	\$ 50,373

CITY OF CHARLESTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Pension Expense

For the year ended June 30, 2023, the City recognized pension expense of \$31,281 in the government-wide statement of activities.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 112,955	\$ 21,458
Net difference between projected and actual earnings on pension plan investments	1,739	0
Changes of assumptions	42,723	0
Contributions subsequent to the measurement date of June 30, 2022	<u>13,225</u>	<u>not applicable</u>
Totals	<u>\$ 170,642</u>	<u>\$ 21,458</u>

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

CITY OF CHARLESTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

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

Year Ending <u>June 30:</u>	
2024	\$ 30,302
2025	32,484
2026	37,234
2027	35,932
2028	0
Thereafter	

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

NOTE F - LONG-TERM LEASE

Long-term lease at June 30, 2023 consisted of the following:

Municipal lease, the Bancorp, 3.25% interest, principal payments due annually in installments of \$26,312, secured by vehicles	\$ 50,162
Less: current maturities	<u>(24,681)</u>
	<u>\$ 25,481</u>

CITY OF CHARLESTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

The municipal lease agreement includes provisions that in the event of default, the full amount of the note becomes immediately payable. These events of default include:

- The City fails to make any payment due within 10 days of the due date.
- The City breaches any of its other obligations under any other agreement under which the City has obligations to the lessor.
- Any warranty or representation made by the City to the lessor is materially incorrect or misleading when made.
- There is cessation of the City's governmental functions.
- Insolvency proceedings are instituted by or against the City.

The municipal lease is not renewable and the City will acquire the equipment at the end of the lease.

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

	<u>Balance</u> <u>7/1/22</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/23</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
Municipal lease	\$ 74,066	\$ 0	\$ 23,904	\$ 50,162	\$ 24,681

Maturities of long-term lease as of June 30, 2023 were as follows:

<u>Year Ending</u> <u>June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ 24,681	\$ 1,631	\$ 26,312
2025	<u>25,481</u>	<u>831</u>	<u>26,312</u>
	<u>\$ 50,162</u>	<u>\$ 2,461</u>	<u>\$ 56,624</u>

CITY OF CHARLESTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

NOTE G – LONG-TERM DEBT

Long-term debt at June 30, 2023 consisted of the following:

General Obligation Capital Outlay Note, Series 2023, interest rate of 4.795% maturing serially in numerical sequence through 2033	\$ 100,000
Less current maturities	<u>(8,000)</u>
	<u>\$ 92,000</u>

Maturities of long-term debt as of June 30, 2023 are as follows:

Governmental Activities:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ 8,000	\$ 4,603	\$ 12,603
2025	8,400	4,210	12,610
2026	8,800	3,798	12,598
2027	9,200	3,366	12,566
2028	9,700	2,913	12,613
2029	10,200	2,436	12,636
2030	10,600	1,937	12,537
2031	11,200	1,415	12,615
2032	11,700	866	12,566
2033	<u>12,200</u>	<u>293</u>	<u>12,493</u>
	<u>\$ 100,000</u>	<u>\$ 25,835</u>	<u>\$ 125,835</u>

CITY OF CHARLESTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

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

	<u>Balance</u> <u>7/1/22</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/23</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
General Obligation Capital Outlay Note	\$ 0	\$ 100,000	\$ 0	\$ 100,000	\$ 8,000

NOTE H - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to minimize its costs, the City insures itself against potential losses associated with these risks through participation in the Tennessee Municipal League Risk Management Pool (the Pool). The Pool requires each participant in the Pool to share the liability for claims if the Pool becomes insolvent. The pooling agreement allows the Pool to make additional assessments or refund surplus revenue to the City. It is not possible to estimate the amount of such additional assessments or refunds, if any. At present, the City has no indication that it will incur a liability as a result of its participation in the Pool. In addition, the City has established an insurance indemnity fund to cover losses in excess of amounts that may be covered by the Pool.

There were no significant reductions in limits of liability or coverage during the year ended June 30, 2023 from those in the preceding year. In addition, settled claims resulting from these risks have not exceed commercial insurance coverage during the last three years. All risk management activities are accounted for in the City's general fund.

NOTE I - COMMITMENTS

The City is operating under a continuing agreement with Bradley County, Tennessee for Bradley County, Tennessee to provide fire services to the City for \$35,000 per year. As part of the contract, the City agreed to lease the fire hall and all equipment of the fire department to Bradley County, Tennessee at the rate of \$5.00 per year.

CITY OF CHARLESTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

NOTE J - CHANGES IN RESTRICTED NET POSITION/FUND BALANCE

Tennessee Code Annotated Section 54-4-204 restricts funds generated from certain gasoline taxes for use on street repairs and maintenance. At June 30, 2023 the City held the following funds restricted for this purpose:

	<u>State Street Aid</u>
Balance, July 1, 2022	\$ 0
Received from State of Tennessee	31,035
Current expenditures	(86,864)
Expended from unrestricted funds	<u>55,829</u>
Balance, June 30, 2023	<u>\$ 0</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHARLESTON, TENNESSEE

CHANGES IN NET PENSION LIABILITY(ASSET)

June 30, 2023

	Measurement Date at June 30,	
	<u>2022</u>	<u>2021</u>
<u>Total pension liability:</u>		
Service cost	\$ 7,856	\$ 11,154
Interest	23,961	19,982
Differences between actual and expected experience	137,047	(5,749)
Changes of assumptions	0	70,575
Benefit payments, including refunds of employee contributions	(11,119)	(15,481)
Net change in total pension liability	<u>157,745</u>	<u>80,481</u>
Total pension liability - beginning	<u>352,675</u>	<u>272,194</u>
Total pension liability - ending (a)	510,420	352,675
<u>Plan fiduciary net position:</u>		
Contributions - employer	15,683	13,052
Contributions - employee	7,461	6,215
Net investment income	(15,416)	81,109
Benefit payments, including refunds of employee contributions	(11,119)	(15,481)
Administrative expense	(494)	(403)
Net change in plan fiduciary net position	<u>(3,885)</u>	<u>84,492</u>
Plan fiduciary net position - beginning	<u>397,215</u>	<u>312,723</u>
Plan fiduciary net position - ending (b)	<u>393,330</u>	<u>397,215</u>
Net pension liability(asset) - ending (a) - (b)	<u>\$ 117,090</u>	<u>\$ (44,540)</u>
Plan fiduciary net position as a percentage of total net pension liability	77.06%	112.63%
Covered employee payroll	\$ 149,218	\$ 124,304
Net pension liability(asset) as a percentage of covered employee payroll	78.47%	(35.83%)

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

See the accompanying independent accountants' audit report.

	Measurement Date at June 30,					
	2020	2019	2018	2017	2016	2015
\$	9,210	\$ 5,536	\$ 5,416	\$ 9,402	\$ 10,397	\$ 10,690
	21,312	20,519	18,711	18,916	17,325	18,210
	(31,458)	(3,674)	11,259	(5,919)	6,490	(28,942)
	0	0	0	1,518	0	0
	(23,246)	(6,982)	(14,139)	(13,997)	(10,002)	(12,932)
	(24,182)	15,399	21,247	9,920	24,210	(12,974)
	296,376	280,977	259,730	249,810	225,600	238,574
	272,194	296,376	280,977	259,730	249,810	225,600
	14,166	12,017	3,287	0	0	208
	6,752	5,902	4,382	5,119	5,567	5,139
	14,844	20,470	20,929	26,487	6,220	7,196
	(23,246)	(6,982)	(14,139)	(13,997)	(10,002)	(12,932)
	(443)	(402)	(380)	(349)	(378)	(254)
	12,073	31,005	14,079	17,260	1,407	(643)
	300,650	269,645	255,566	238,306	236,899	237,542
	312,723	300,650	269,645	255,566	238,306	236,899
\$	(40,529)	\$ (4,274)	\$ 11,332	\$ 4,164	\$ 11,504	\$ (11,299)
	114.89%	101.44%	95.97%	98.40%	95.39%	105.01%
\$	135,043	\$ 118,046	\$ 87,641	\$ 102,383	\$ 111,333	\$ 92,058
	(30.01%)	3.62%	12.93%	4.07%	10.33%	12.27%

Changes of Assumptions

In 2021 amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost of living adjustment, and mortality improvements. In 2017 amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost of living adjustment, salary growth and mortality improvements.

CITY OF CHARLESTON, TENNESSEE

PENSION CONTRIBUTIONS

June 30, 2023

	2023	Year Ended June 30,		2020
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Actuarially determined contribution	\$ 13,225	\$ 15,683	\$ 13,052	\$ 14,166
Contributions in relation to the actuarially determined contribution	<u>(13,225)</u>	<u>(15,683)</u>	<u>(13,052)</u>	<u>(14,166)</u>
Contribution deficiency(excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered employee payroll	\$ 181,164	\$ 149,218	\$ 124,304	\$ 135,043
Contributions as a percentage of covered employee payroll	7.30%	10.51%	10.50%	10.49%

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

Notes to Pension Contributions

Valuation date: Actuarially determined contribution rates for the year ended June 30, 2023 were calculated based on the June 30, 2021 actuarial valuation.

Methods and assumptions used to determined contribution rates:

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

See the accompanying independent accountants' audit report.

<u>2019</u>	<u>2018</u>	<u>Year Ended June 30,</u>		<u>2015</u>	<u>2014</u>
		<u>2017</u>	<u>2016</u>		
\$ 12,017	\$ 3,286	\$ 0	\$ 0	\$ 208	\$ 5,235
<u>(12,017)</u>	<u>(3,286)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>(208)</u>	<u>(5,235)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 118,046	\$ 87,641	\$ 102,383	\$ 111,333	\$ 92,058	\$ 105,119
10.18%	3.75%	0.00%	0.00%	0.23%	4.98%

Changes of Assumptions

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

SUPPLEMENTARY INFORMATION

CITY OF CHARLESTON, TENNESSEE

PROPERTY TAXES RECEIVABLE

June 30, 2023

<u>Year of Levy</u>	<u>Rate</u>	<u>Total Assessment</u>	<u>Balance June 30, 2022</u>	<u>Taxes Levied</u>
2023	\$ 0.3910	\$ 22,454,567	\$ 0	\$ 87,800
2022	0.3910	22,663,689	88,618	0
2021	0.3910	21,249,313	3,784	0
2020	0.5451	13,016,321	1,168	0
2019	0.5451	13,663,622	808	0
2018	0.5451	12,838,348	674	0
2017	0.5451	12,838,348	352	0
2016	0.5451	12,099,525	224	0
2015	0.4392	12,245,204	120	0
2014	0.4392	11,925,364	299	0
2013	0.4230	12,103,142	<u>178</u>	<u>0</u>
			<u>\$ 96,225</u>	<u>\$ 87,800</u>

Property taxes unpaid for 2013 through 2021 have been filed with the Bradley County Chancery Court.

See the accompanying independent accountants' audit report.

<u>Adjustments</u>	<u>Collections</u>	<u>Balance</u> <u>June 30, 2023</u>
\$ 0	\$ 0	\$ 87,800
(514)	(82,681)	5,423
0	(2,390)	1,394
0	(344)	824
0	(368)	440
0	(461)	213
0	(168)	184
0	(38)	186
0	(0)	120
0	(0)	299
<u>0</u>	<u>(178)</u>	<u>0</u>
<u>\$ (514)</u>	<u>\$ (86,628)</u>	<u>\$ 96,883</u>

CITY OF CHARLESTON, TENNESSEE

**LEASE OBLIGATIONS, PRINCIPAL AND
INTEREST REQUIREMENTS BY FISCAL YEAR**

June 30, 2023

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Municipal Lease			
Year Ending <u>June 30:</u>			
2024	\$ 24,681	\$ 1,631	\$ 26,312
2025	<u>25,481</u>	<u>831</u>	<u>26,312</u>
	<u>\$ 50,162</u>	<u>\$ 2,461</u>	<u>\$ 52,624</u>

See the accompanying independent accountants' audit report.

CITY OF CHARLESTON, TENNESSEE

CHANGES IN LEASE OBLIGATIONS

June 30, 2023

<u>Description of Indebtedness</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>
Governmental Activities:			
Municipal Lease	\$ 119,629	3.25%	8/5/2020

See the accompanying independent accountants' audit report.

<u>Last Maturity Date</u>	<u>Outstanding 7/1/2022</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Remeasurements</u>	<u>Outstanding 6/30/2023</u>
6/30/2025	\$ 74,066	\$ 0	\$ 23,904	\$ 0	\$ 50,162

CITY OF CHARLESTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

June 30, 2023

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
General Obligation Capital Outlay Note, Series 2023			
Year Ending <u>June 30:</u>			
2024	\$ 8,000	\$ 4,603	\$ 12,603
2025	8,400	4,210	12,610
2026	8,800	3,798	12,598
2027	9,200	3,366	12,566
2028	9,700	2,913	12,613
2029	10,200	2,436	12,636
2030	10,600	1,937	12,537
2031	11,200	1,415	12,615
2032	11,700	866	12,566
2033	12,200	293	12,493
	<u>\$ 100,000</u>	<u>\$ 25,835</u>	<u>\$ 125,835</u>

See the accompanying independent accountants' audit report.

TOWN OF CHARELSTON, TENNESSEE

CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

June 30, 2023

<u>Description of Indebtedness</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>
General Obligation Capital Outlay, Series 2023	\$ 100,000	4.795%	7/1/2022

See the accompanying independent accountant's audit report.

<u>Last Maturity Date</u>	<u>Outstanding 7/1/2022</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding 6/30/2023</u>
6/30/2033	\$ 0	\$ 100,000	\$ 0	\$ 0	\$ 100,000

CITY OF CHARLESTON, TENNESSEE

EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2023

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
U.S. Department of Treasury/ Tennessee Department of Finance and Administration Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$ 15,498

BASIS OF PRESENTATION

This schedule summarizes the expenditures of City of Charleston, Tennessee of under programs of the federal government for the year ended June 30, 2023. The schedule is presented using the accrual basis of accounting. Because this schedule presents only a selected portion of the operations of City of Charleston, Tennessee, it is not intended and does not present the net position or changes in net position of City of Charleston, Tennessee.

See the accompanying independent accountants' audit report.

OTHER INFORMATION

CITY OF CHARLESTON, TENNESSEE

PRINCIPAL OFFICIALS

June 30, 2023

Donna McDermott, Mayor
Francis McCartney, Vice-Mayor/Commissioner
Garett Hammontree, Commissioner
Caroline Green, City Manager (7/1/22-4/12/24)
Janet Newport, City Recorder, CMFO, (7/1/22-4/12/24)
Brandy Bishop, City Manager (4/12/24-present)
Scott Bonk, City Recorder, (4/12/24-present)

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mayor and Board of Commissioners
City of Charleston, Tennessee
Charleston, 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 of America, the financial statements of the governmental activities and each major fund of City of Charleston, Tennessee, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Charleston, Tennessee's basic financial statements, and have issued our report thereon dated May 29, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Charleston, Tennessee's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Charleston, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Charleston, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of City of Charleston, Tennessee'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 limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Mitchell Emert + Hill". The signature is written in a cursive, flowing style.

May 29, 2024

CITY OF CHARLESTON, TENNESSEE

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended June 30, 2023

There were no prior year findings reported.