

CITY OF ELKTON, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2023

CITY OF ELKTON, TENNESSEE

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INTRODUCTORY SECTION

CITY OF ELKTON, TENNESSEE

Officials of the City of Elkton, Tennessee

June 30, 2023

<u>Name</u>	<u>Title</u>
Elected Officials:	
Jim Caldwell	Mayor
Jim Lathrop	Alderman
William Bonjour	Alderman
Bobby Sherrell	Alderman
Payton Blade	Alderman
Administration:	
Kasidy Shaw	City Recorder and CMFO

FINANCIAL SECTION

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

Independent Auditor's Report

Mayor and Board of Aldermen of the
City of Elkton, Tennessee
Elkton, Tennessee

Report on the Audit of the Financial Statements

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and the major funds of the City as of June 30, 2023, and the respective changes in financial position and the respective budgetary comparison for the General Fund, State Street Aid Fund, Drug Fund, and the Sanitation Fund for the year then ended and, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information, which includes the Management's Discussion and Analysis and the Schedule of Changes in Net Pension Liability (Asset) and the Schedule of Contributions to the Employee Pension Plan, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other

knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information – Introductory Section

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated August 31, 2023, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

John R. Pale, CPA

August 31, 2023

MANAGEMENT'S
DISCUSSION AND
ANALYSIS

CITY OF ELKTON, TENNESSEE

Management's Discussion and Analysis

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

Financial Highlights:

The assets of the City of Elkton exceeded its liabilities at the close of the most recent fiscal year by \$924,741. Of this amount, \$292,472 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The governments total net position increased by \$17,372. Revenues were \$21,895 lower in the current year due to decreased grants received, partially offset by increased user related revenues. Expenses were \$16,193 higher in the current year as the City had increased sanitation collection costs and repair and maintenance expenses.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$267,682, an increase of \$29,123 in comparison to the prior year, primarily as a result of increased local tax revenues.

At the end of the current fiscal year, unassigned fund balance of the General Fund was \$158,916 or 42% of the total general fund expenditures. A further analysis of governmental revenues and governmental expenses is included in this Management's Discussion and Analysis.

Overview of the Financial Statements

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

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

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

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected tax).

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

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

Governmental Funds. Governmental Funds are funds used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds and one enterprise fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Elkton adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 14-26 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 28-42 of this report.

Financial Analysis of the Financial Statements

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City of Elkton, assets exceeded liabilities by \$924,741 at the close of the most recent fiscal year.

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

Financial Analysis of the Financial Statements

City of Elkton’s Net position - 2022

Current and other assets	\$ 377,500
Capital assets	<u>623,838</u>
Total assets	1,001,338
Deferred outflows	4,897
Other liabilities	<u>35,482</u>
Total liabilities	35,482
Deferred inflows:	63,384
Net position:	
Investment in capital assets	623,838
Restricted	48,687
Unrestricted	<u>234,844</u>
Total net position	\$ 907,369

City of Elkton's Net position - 2023

Current and other assets	\$ 447,207
Capital assets	<u>592,579</u>
Total assets	1,039,786
Deferred outflows	6,919
Other liabilities	<u>35,891</u>
Total liabilities	35,891
Deferred inflows:	86,073
Net position:	
Investment in capital assets	592,579
Restricted	39,690
Unrestricted	<u>292,472</u>
Total net position	\$ 924,741

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

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

Governmental Funds

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

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$158,916. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 42% of total general fund expenditures.

Enterprise Fund

The sewer fund had an increase in net position of \$2,972 due to an increase in user fees.

Comparison of revenues and expenses

	2023 <u>Activities</u>	2022 <u>Activities</u>	Change Between <u>Years</u>
Revenues:			
Program revenues:			
Charges for services	197,340	163,011	34,329
Operating grants and contributions	30,082	27,822	2,260
Capital grants and contributions	57,553	85,817	(28,264)
General revenues:			
Property taxes	54,161	52,612	1,549
Sales taxes	171,470	166,536	4,934
Other local taxes	35,578	32,414	3,164
Other	<u>2,111</u>	<u>41,978</u>	<u>(39,867)</u>
Total revenues	<u>548,295</u>	<u>570,190</u>	<u>(21,895)</u>
Expenses:			
General government	310,993	293,333	17,660
Police department	40,584	45,856	(5,272)
Fire department	28,509	24,741	3,768
Sanitation	102,145	86,625	15,520
Highways and streets	28,398	46,145	(17,747)
Sewer operations	<u>20,294</u>	<u>18,030</u>	<u>2,264</u>
Total expenses	<u>530,923</u>	<u>514,730</u>	<u>16,193</u>
Increases in net position	<u>17,372</u>	<u>55,460</u>	<u>(38,088)</u>

The assets of the City of Elkton exceeded its liabilities at the close of the most recent fiscal year by \$924,741. Of this amount, \$292,472 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net position increased by \$17,372. Revenues were \$21,895 lower in the current year due to decreased grants received, partially offset by increased user related revenues. Expenses were \$16,193 higher in the current year as the City had increased sanitation collection costs and repair and maintenance expenses.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$267,682, an increase of \$29,123 in comparison to the prior year, primarily as a result of increased local tax revenues.

General Fund Budgetary Highlights

The City exceeded one of its fund budget expenditures. See pages 21-26 for further detailed information.

Capital Assets

The City of Elkton's investment in capital assets at June 30, 2023, amounts to \$558,241 (net of accumulated depreciation). This investment in capital assets is in land, buildings, improvements, machinery and equipment.

City of Elkton's Capital Assets-2022

Land and buildings	\$ 360,543
Infrastructure	364,640
Machinery and Equipment	522,207
Sewer system	<u>99,221</u>
Less accumulated depreciation	(722,773)
Net Capital Assets	<u>\$ 623,838</u>

City of Elkton's Capital Assets-2023

Land and buildings	\$ 360,543
Infrastructure	389,640
Machinery and Equipment	522,207
Sewer system	<u>99,221</u>
Less accumulated depreciation	(779,032)
Net Capital Assets	<u>\$ 592,579</u>

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

Economic Factors and Next Year's Budget and Rates

In the 2023-2024 budget, non-grant revenues are budgeted to be steady from the 2022-2023 budget year due to higher sales tax revenues with a higher collection percentage of property taxes. The City's budget has benefited by a growing retail base producing higher local sales tax receipts. All of these factors were considered in preparing the City's budget for the 2023-2024 fiscal year.

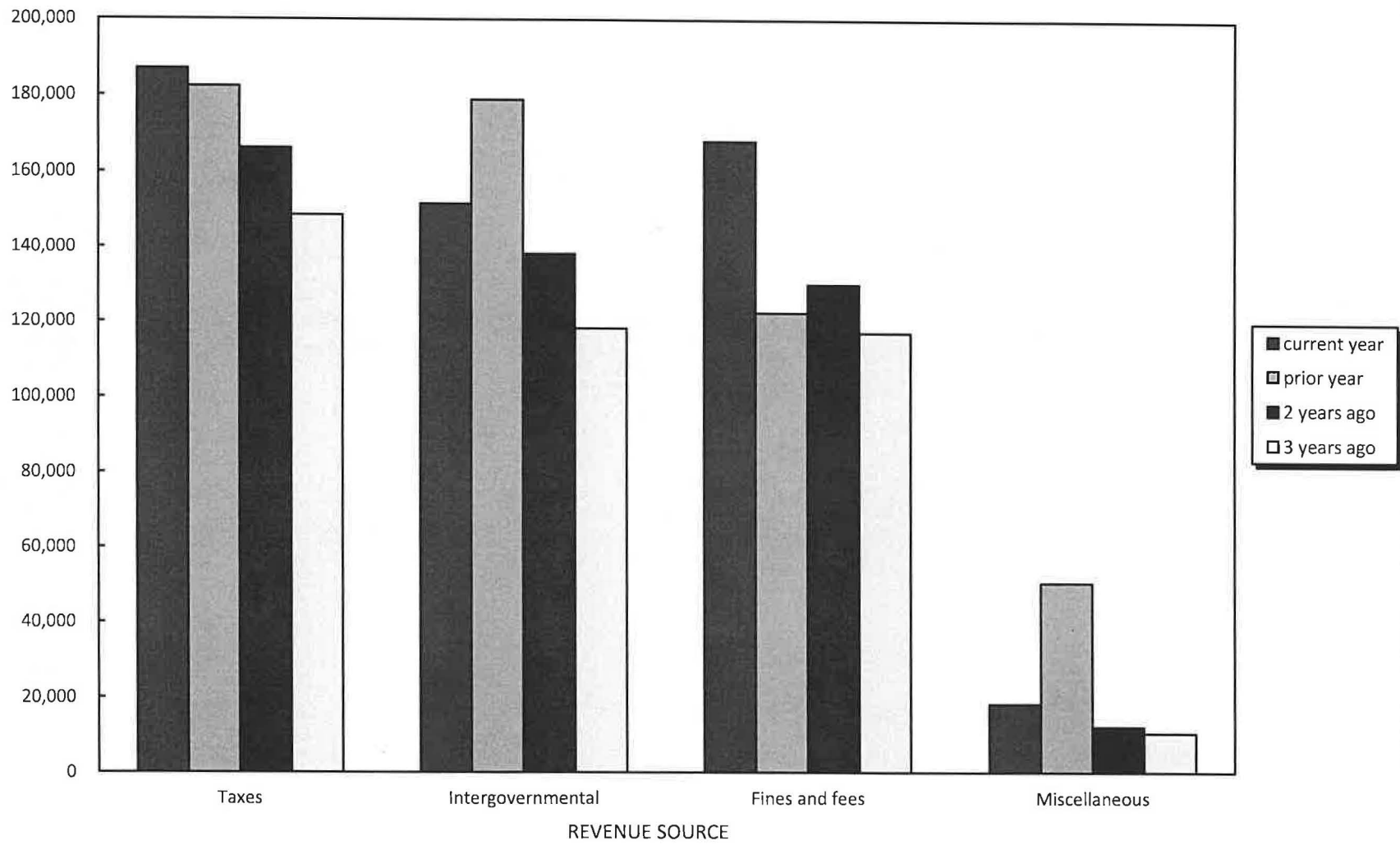
Requests for Information

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

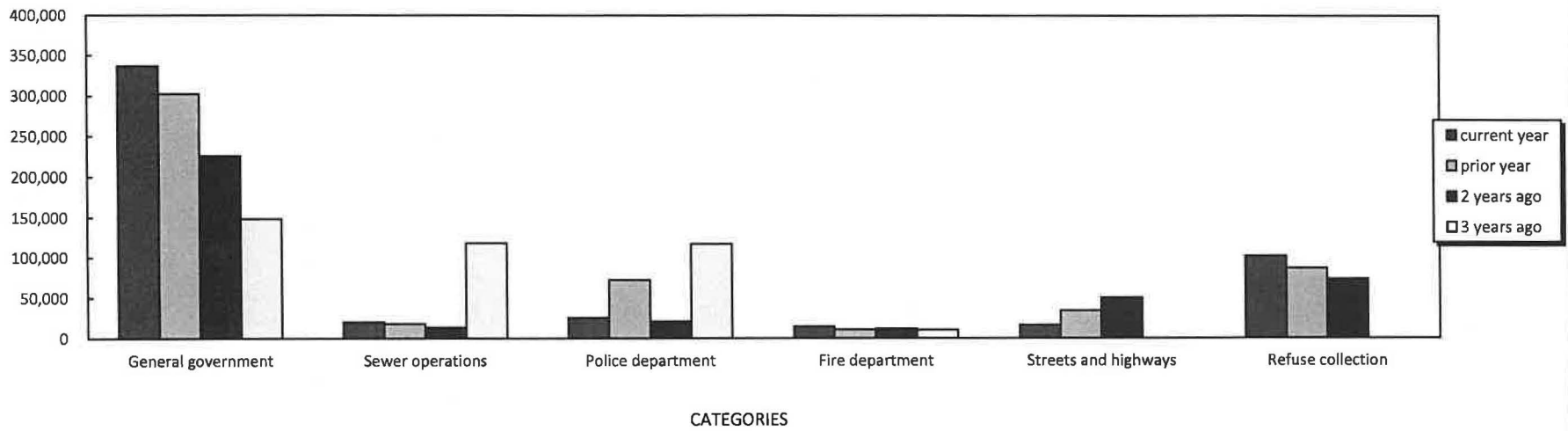
Kasidy Shaw
City of Elkton

CITY OF ELKTON, TENNESSEE

GOVERNMENTAL FUND REVENUES



CITY OF ELKTON, TENNESSEE
GOVERNMENTAL FUND EXPENDITURES



BASIC FINANCIAL STATEMENTS

CITY OF ELKTON, TENNESSEE

Statement of Net Position

June 30, 2023

<u>Assets and Deferred Outflows</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and cash equivalents	292,415	52,152	344,567
Receivables	92,434	1,341	93,775
Prepaid assets	8,865	0	8,865
Capital assets not being depreciated	136,010	0	136,010
Capital assets, net of accumulated depreciation	422,231	34,338	456,569
Total Assets	<u>951,955</u>	<u>87,831</u>	<u>1,039,786</u>
Deferred outflow - pension	<u>6,919</u>	<u>0</u>	<u>6,919</u>
<u>Liabilities, Deferred Inflows, and Net Position</u>			
Liabilities			
Accounts payable	18,029	0	18,029
Net pension liability	17,862	0	17,862
Total Liabilities	<u>35,891</u>	<u>0</u>	<u>35,891</u>
Deferred Inflow of Resources:			
Deferred inflows of resources - property taxes	45,295	0	45,295
Deferred inflows of resources - pension	0	0	0
Deferred inflows of resources - grant receipts	40,778	0	40,778
Total Deferred Inflow of Resources	<u>86,073</u>	<u>0</u>	<u>86,073</u>
Net Position:			
Investment in capital assets	558,241	34,338	592,579
Restricted - State Street aid	26,340	0	26,340
Restricted - Drug	6,003	0	6,003
Restricted - Sanitation	7,347	0	7,347
Unrestricted	238,979	53,493	292,472
Total Net Position	<u>836,910</u>	<u>87,831</u>	<u>924,741</u>

See accompanying notes to financial statements.

CITY OF ELKTON, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2023

Function/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
General government	310,993	7,426	10,320	57,553	(235,694)	0	(235,694)
Police department	40,584	76,453	1,600	0	37,469	0	37,469
Fire department	28,509	1,395	0	0	(27,114)	0	(27,114)
Highways and streets	28,398	0	18,162	0	(10,236)	0	(10,236)
Sanitation	102,145	88,800	0	0	(13,345)	0	(13,345)
Total Governmental Activities	<u>510,629</u>	<u>174,074</u>	<u>30,082</u>	<u>57,553</u>	<u>(248,920)</u>	<u>0</u>	<u>(248,920)</u>
Business - type Activities:							
Sewer Fund	<u>20,294</u>	<u>23,266</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,972</u>	<u>2,972</u>
Total Business Type Activities	<u>20,294</u>	<u>23,266</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,972</u>	<u>2,972</u>
Total	<u>530,923</u>	<u>197,340</u>	<u>30,082</u>	<u>57,553</u>	<u>(248,920)</u>	<u>2,972</u>	<u>(245,948)</u>
General Revenues:							
Property taxes					44,752	0	44,752
Public utility taxes					9,409	0	9,409
Sales taxes					171,470	0	171,470
Beer taxes					26,205	0	26,205
Business taxes					9,373	0	9,373
Other					2,111	0	2,111
Total general revenues					<u>263,320</u>	<u>0</u>	<u>263,320</u>
Changes in Net Position					<u>14,400</u>	<u>2,972</u>	<u>17,372</u>
Net Position - beginning of year					<u>822,510</u>	<u>84,859</u>	<u>907,369</u>
Net Position - ending of year					<u>836,910</u>	<u>87,831</u>	<u>924,741</u>

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

CITY OF ELKTON, TENNESSEE

Balance Sheet

Governmental Funds

June 30, 2023

	<u>General Fund</u>	<u>Drug Fund</u>	<u>Sanitation Fund</u>	<u>State Street Aid Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Cash and cash equivalents	<u>\$248,739</u>	<u>\$6,003</u>	<u>\$12,936</u>	<u>\$24,737</u>	<u>\$292,415</u>
Accounts receivable					
Due from other governments	22,263	0	0	2,946	25,209
Property taxes	<u>67,225</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>67,225</u>
	<u>89,488</u>	<u>0</u>	<u>0</u>	<u>2,946</u>	<u>92,434</u>
Prepaid assets	<u>8,865</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,865</u>
Total Asset	<u>347,092</u>	<u>6,003</u>	<u>12,936</u>	<u>27,683</u>	<u>393,714</u>
<u>Liabilities, Deferred Inflows and Fund Balance</u>					
Liabilities:					
Accounts payable	11,097	0	5,589	1,343	18,029
Total Liabilities	<u>11,097</u>	<u>0</u>	<u>5,589</u>	<u>1,343</u>	<u>18,029</u>
Deferred Inflows of Resources					
Deferred current property taxes	45,295	0	0	0	45,295
Deferred delinquent property taxes	21,930	0	0	0	21,930
Deferred - unspent grant funds	<u>40,778</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>40,778</u>
Total Deferred Inflows of Resources	<u>108,003</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>108,003</u>
Fund balance:					
Unassigned	158,916	0	0	0	158,916
Non-spendable	8,865	0	0	0	8,865
Assigned - road improvements	41,221	0	0	0	41,221
Assigned - fire department	18,990	0	0	0	18,990
Restricted	0	6,003	7,347	26,340	39,690
Total Fund Balance	<u>227,992</u>	<u>6,003</u>	<u>7,347</u>	<u>26,340</u>	<u>267,682</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$347,092</u>	<u>\$6,003</u>	<u>\$12,936</u>	<u>\$27,683</u>	<u>\$393,714</u>

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

CITY OF ELKTON, TENNESSEE

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

June 30, 2023

Amounts reported for fund balance - total governmental funds	\$	267,682
Amounts reported for governmental activities in the statement of net position are different because:		
Other long term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds		21,930
Pension related accounts - governmental funds to not record these post-benefit obligations		
Net pension position		(17,862)
Deferred outflow - pension		6,919
Deferred inflow - pension		0
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		<u>558,241</u>
Net position of governmental activities	\$	<u><u>836,910</u></u>

See accompanying notes to financial statements.

CITY OF ELKTON, TENNESSEE

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

For the Year Ended June 30, 2023

	<u>General Fund</u>	State <u>Street Aid Fund</u>	<u>Drug Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
Revenues:					
Taxes	186,907	0	0	0	186,907
Intergovernmental	133,455	18,162	0	0	151,617
Fines and fees	76,516	0	2,832	88,800	168,148
Miscellaneous	18,357	0	0	0	18,357
Total Revenues	<u>415,235</u>	<u>18,162</u>	<u>2,832</u>	<u>88,800</u>	<u>525,029</u>
Expenditures:					
Current:					
General government	312,048	0	0	0	312,048
Police department	25,530	0	0	0	25,530
Fire department	14,537	0	0	0	14,537
Sanitation	0	0	0	102,145	102,145
Highway and streets	0	16,646	0	0	16,646
Capital outlay:					
General government	25,000	0	0	0	25,000
Total Expenditures	<u>377,115</u>	<u>16,646</u>	<u>0</u>	<u>102,145</u>	<u>495,906</u>
 Excess (deficiency) of revenues over expenditures	 <u>38,120</u>	 <u>1,516</u>	 <u>2,832</u>	 <u>(13,345)</u>	 <u>29,123</u>
 Fund Balance, Beginning of year	 189,872	 24,824	 3,171	 20,692	 238,559
 Fund Balance, End of Year	 <u>227,992</u>	 <u>26,340</u>	 <u>6,003</u>	 <u>7,347</u>	 <u>267,682</u>

See accompanying notes to financial statements.

CITY OF ELKTON, TENNESSEE

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

For the Year Ended June 30, 2023

Net change in fund balances - total governmental funds:	\$	29,123
Amounts reported for governmental activities in the statement of net position are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Acquisition of capital assets		25,000
Depreciation expense		(51,827)
Expenses reported in the statement of activities that affect accrued liabilities that are not reported as expenditures in the governmental funds		
Change in pension plan accrual		5,615
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		<u>6,489</u>
Change in net position of governmental activities	\$	<u><u>14,400</u></u>

See accompanying notes to financial statements.

CITY OF ELKTON, TENNESSEE

Statement of Net Position

Enterprise (Sewer) Fund

June 30, 2023

Assets

Current Assets:

Cash and cash equivalents	\$52,152
Accounts receivable	1,341
Total Current Assets	<u>53,493</u>

Capital Assets:

Sewer plant	99,221
Less accumulated depreciation	(64,883)
Total Capital Assets, Net	<u>34,338</u>

Total Assets	<u>\$87,831</u>
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Liabilities

Current Liabilities (payable from current assets):

Accounts payable	0
Total Current Liabilities (payable from current assets)	<u>0</u>

Total Liabilities	<u>\$0</u>
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Net Position:

Investment in capital assets	34,338
Unrestricted	<u>53,493</u>

Total Net Position	<u>\$87,831</u>
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The notes accompanying the financial statements are an integral part of these financial statements.

CITY OF ELKTON, TENNESSEE

**Statement of Revenues, Expenses
and Changes in Net Position**

Enterprise (Sewer) Fund

For the Year Ended June 30, 2023

Operating Revenues:	
Sewer usage fees	\$23,266
Total Operating Revenues	<u>23,266</u>
Operating Expenses:	
Personnel costs	6,000
Repair and maintenance	2,495
Utilities	2,226
Depreciation	4,432
Testing	2,530
Miscellaneous	2,611
Total Operating Expenses	<u>20,294</u>
Operating income (loss)	<u>2,972</u>
Nonoperating Revenues (Expenses):	
Interest income	<u>0</u>
Total Nonoperating Revenues (Expenses)	<u>0</u>
Net change in Net Position	<u>2,972</u>
Net Position, July 1, 2022	84,859
Net Position, June 30, 2023	<u>\$87,831</u>

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

CITY OF ELKTON, TENNESSEE

Statement of Cash Flows

Sewer Fund

For the Year Ended June 30, 2023

Cash Flows from Operating Activities:	
Cash received from customers	23,838
Cash paid to suppliers	(9,862)
Cash paid to employees	(6,000)
Net Cash Provided (Used) by Operating Activities	<u>7,976</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of capital assets	<u>0</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>0</u>
Cash Flows from Investing Activities:	
Interest received	<u>0</u>
Net Cash Flows Provided (Used) From by Investing Activities	<u>0</u>
Net Increase (decrease) in Cash	7,976
Cash and Cash Equivalents, July 1, 2022	<u>44,176</u>
Cash and Cash Equivalents, June 30, 2023	<u>52,152</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	2,972
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	4,432
Change in assets (increase) decrease:	
Accounts receivable	572
Change in liabilities increase (decrease):	
Net Cash Provided (Used) by Operating Activities	<u>7,976</u>

See accompanying notes to financial statements.

CITY OF ELKTON, TENNESSEE

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

General Fund

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
Property taxes	\$41,000	\$41,000	\$44,752	3,752
Public utility taxes	4,300	4,300	2,856	(1,444)
Local option sales taxes	94,000	94,000	103,970	9,970
Wholesale beer tax	24,000	24,000	25,956	1,956
Business tax	650	650	9,373	8,723
Total Taxes	<u>163,950</u>	<u>163,950</u>	<u>186,907</u>	<u>22,957</u>
Intergovernmental:				
Sales tax apportionment	62,000	62,000	67,500	5,500
State beer tax	500	500	249	(251)
Grants	77,000	154,739	57,553	(97,186)
State supplement	1,800	1,800	1,600	(200)
Payment in lieu of tax	6,200	6,200	6,553	353
Total Intergovernmental Revenue	<u>147,500</u>	<u>225,239</u>	<u>133,455</u>	<u>(91,784)</u>
Fines and Fees:				
Traffic fines	72,000	72,000	73,621	1,621
Fire department revenue	2,200	12,200	1,395	(10,805)
Total Fines and Fees	<u>74,200</u>	<u>84,200</u>	<u>75,016</u>	<u>(9,184)</u>
Licenses and permits:	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>0</u>
Miscellaneous:				
Rent	4,800	4,800	5,926	1,126
Fundraisers	4,000	4,000	10,320	6,320
Miscellaneous	4,016	4,016	2,111	(1,905)
Total Miscellaneous	<u>12,816</u>	<u>12,816</u>	<u>18,357</u>	<u>5,541</u>
Total Revenues	<u>399,966</u>	<u>487,705</u>	<u>415,235</u>	<u>(72,470)</u>

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

CITY OF ELKTON, TENNESSEE

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

General Fund

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures:				
General Government:				
Current:				
Personnel costs	235,000	288,973	206,234	82,739
TCRS	5,500	5,500	6,874	(1,374)
Supplies and maintenance	12,405	12,405	7,179	5,226
Utilities and fire hydrant	20,000	20,000	27,386	(7,386)
Travel and training	700	700	261	439
Professional services	8,820	8,820	11,662	(2,842)
E-911 Dispatch services	5,616	5,616	5,042	574
Insurance	24,150	24,150	28,498	(4,348)
Park	12,933	12,933	14,989	(2,056)
Advertising and dues	2,350	2,350	1,727	623
Miscellaneous	3,000	3,000	2,196	804
	<u>330,474</u>	<u>384,447</u>	<u>312,048</u>	<u>72,399</u>
Capital outlay	25,000	25,000	25,000	0
Total General Government	<u>355,474</u>	<u>409,447</u>	<u>337,048</u>	<u>72,399</u>
Police department:				
Current:				
Supplies	3,300	3,300	9,653	(6,353)
Vehicle expense	27,000	27,000	12,247	14,753
Utilities	3,500	3,500	3,630	(130)
Miscellaneous	3,000	3,000	0	3,000
	<u>36,800</u>	<u>36,800</u>	<u>25,530</u>	<u>155,439</u>
Capital outlay	0	0	0	0
Total Police Department	<u>36,800</u>	<u>36,800</u>	<u>25,530</u>	<u>155,439</u>

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

CITY OF ELKTON, TENNESSEE

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

General Fund

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures:				
Street department:				
Current:				
Supplies	9,200	9,200	0	9,200
Repair and maintenance	9,500	9,500	0	9,500
Miscellaneous	0	0	0	0
	<u>18,700</u>	<u>18,700</u>	<u>0</u>	<u>18,700</u>
Capital outlay	0	18,000	0	18,000
Total Street Department	<u>18,700</u>	<u>36,700</u>	<u>0</u>	<u>36,700</u>
Fire department:				
Current:				
Volunteer firemen	4,700	4,700	5,276	(576)
Supplies	9,950	9,950	4,311	5,639
Repair and maintenance	7,500	7,500	1,426	6,074
Utilities	2,500	2,500	2,701	(201)
Miscellaneous	50	50	823	(773)
	<u>24,700</u>	<u>24,700</u>	<u>14,537</u>	<u>10,163</u>
Capital outlay	0	40,569	0	40,569
Total Fire Department	<u>24,700</u>	<u>65,269</u>	<u>14,537</u>	<u>50,732</u>
Total Expenditures	<u>435,674</u>	<u>548,216</u>	<u>377,115</u>	<u>171,101</u>
Excess (deficiency) of Revenues over Expenditures	(35,708)	(60,511)	38,120	98,631
Fund Balance, July 1, 2022	189,872	189,872	189,872	0
Fund Balance, June 30, 2023	<u>\$154,164</u>	<u>\$129,361</u>	<u>\$227,992</u>	<u>\$98,631</u>

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

CITY OF ELKTON, TENNESSEE

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

State Street Aid Fund

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental:				
Gasoline .03 tax	3,000	3,000	2,742	(258)
Gasoline 1989 tax	2,000	2,000	1,425	(575)
Gasoline 2017 tax	5,000	5,000	4,759	(241)
Gasoline and motor fuel	9,000	9,000	8,202	(798)
Special petrolum tax	1,000	1,000	1,034	34
Total Revenues	<u>20,000</u>	<u>20,000</u>	<u>18,162</u>	<u>(1,838)</u>
Expenditures:				
Streets:				
Street lighting	17,500	17,500	16,427	1,073
Repair and maintenance	1,500	1,500	219	1,281
Capital outlay	0	0	0	0
Total Expenditures	<u>19,000</u>	<u>19,000</u>	<u>16,646</u>	<u>2,354</u>
Excess (deficiency) of revenues over expenditures	1,000	1,000	1,516	516
Fund Balance, July 1, 2022	<u>24,824</u>	<u>24,824</u>	<u>24,824</u>	<u>-</u>
Fund Balance, June 30, 2023	<u><u>25,824</u></u>	<u><u>25,824</u></u>	<u><u>26,340</u></u>	<u><u>516</u></u>

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

CITY OF ELKTON, TENNESSEE

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

Drug Fund

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental:				
Drug fines	<u>0</u>	<u>0</u>	<u>2,832</u>	<u>2,832</u>
Total Revenues	<u>0</u>	<u>0</u>	<u>2,832</u>	<u>2,832</u>
Expenditures:				
Drug fund expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	0	0	2,832	2,832
 Fund Balance, July 1, 2022	 <u>3,171</u>	 <u>3,171</u>	 <u>3,171</u>	 <u>-</u>
Fund Balance, June 30, 2023	<u><u>\$3,171</u></u>	<u><u>\$3,171</u></u>	<u><u>6,003</u></u>	<u><u>2,832</u></u>

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

CITY OF ELKTON, TENNESSEE

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

Sanitation Fund

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Refuse collection fees	<u>75,010</u>	<u>75,010</u>	<u>88,800</u>	<u>13,790</u>
Expenditures:				
Refuse collection	80,000	80,000	102,145	(22,145)
Miscellaneous	2,800	2,800	0	2,800
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u>82,800</u>	<u>82,800</u>	<u>102,145</u>	<u>(19,345)</u>
Excess (deficiency) of revenues over expenditures	(7,790)	(7,790)	(13,345)	(5,555)
Fund Balance, July 1, 2022	<u>20,692</u>	<u>20,692</u>	<u>20,692</u>	<u>-</u>
Fund Balance, June 30, 2023	<u><u>\$12,902</u></u>	<u><u>\$12,902</u></u>	<u><u>7,347</u></u>	<u><u>(5,555)</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF ELKTON, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) - Summary of Significant Accounting Policies

The City of Elkton, Tennessee, was incorporated under the Private Act of the Tennessee General Assembly. The City provides the following services, as authorized by its charter and duly passed ordinances: public safety, sanitation, streets, sewer, public improvements, and general administrative services. The accounting policies of the City of Elkton, Tennessee conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity:

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

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

Government - Wide and Fund Financial Statements

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

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

CITY OF ELKTON, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) - Summary of Significant Accounting Policies, Continued

Government -Wide and Fund Financial Statements, Continued

Separate financial statements are provided for governmental funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The government reports the following major governmental funds:

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

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

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

Drug Fund - To account for the receipt of drug related funds and the expenditures for drug enforcement.

CITY OF ELKTON, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) - Summary of Significant Accounting Policies, Continued

The government reports the following major enterprise fund:

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

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

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

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

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

Cash and Cash Equivalents

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

Receivables and Payables

Activity between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as either due from/ due to other funds (i.e. the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances. Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available resources. All trade receivables are shown net of an allowance for uncollectible, if applicable.

CITY OF ELKTON, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) - Summary of Significant Accounting Policies, Continued

Government Wide – Net Position

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

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

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

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

Property Tax

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

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

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

Taxes were levied at a rate of \$0.3403 per \$100 of assessed valuation for the fiscal year ended June 30, 2023.

Payments may be made during the period from December 1 through April 30. Current tax collections of \$38,673 for the fiscal year ended June 30, 2023 were approximately 81 percent of the tax levy.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

CITY OF ELKTON, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) - Summary of Significant Accounting Policies, Continued

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets consisting of certain improvements other than buildings, including roads, bridges, streets and sidewalks, and drainage systems are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an individual cost of \$4,000 and an estimated useful life in excess of three years. All capital assets are valued at historical cost or estimated useful life in excess of three years. All capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is provided over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Infrastructure	20-30 years
Buildings	10-50 years
Furniture and Equipment	5-10 years

Long-term Obligations

In the government-wide financial statements and enterprise fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs, such as insurance costs, fees and other related costs are expensed in the year incurred.

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 Elkton's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Elkton'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.

Compensated Absences

The City has not accrued a liability for unused sick and vacation pay which is earned but not taken by City employees as the amounts are not material to the financial statements.

CITY OF ELKTON, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) - Summary of Significant Accounting Policies, Continued

Deferred Outflows/Inflows of Resources

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

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

Budgets and Budgetary Accounting

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

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

During the year, the City exceeded the following departmental budgets:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Sanitation Fund	82,800	102,145	19,345

CITY OF ELKTON, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) - Summary of Significant Accounting Policies, Continued

Fund Balance

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

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

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

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

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

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

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

Estimates

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

CITY OF ELKTON, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) - Summary of Significant Accounting Policies, Continued

Leases

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases became effective for the year ended June 30, 2022. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Management has determined that the City's leases do not qualify for reporting under GASB 87 due to the short-term nature of the leases.

(2) - Cash and Cash Equivalents

The City is authorized to invest funds in Federal treasury bills and notes, State of Tennessee Local Government Investment Pool and financial institution demand deposit accounts and certificates of deposit. During the year, the City invested funds that were not immediately needed in the certificate of deposits and savings accounts. The City has deposit policies to minimize custodial credit risks. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the city. Cash and cash equivalents were adequately covered by federal depository insurance, insured by the depository bank's participation in the State of Tennessee Bank Collateral Pool or collateralized by securities, pledged for deposits, held by an independent third-party financial institution under the terms of a safekeeping collateral agreement in the City's name. Investment policies of the City follow state law and bond requirements prohibiting investments that are not secured or insured by the U.S. Government.

CITY OF ELKTON, TENNESSEE

Notes to Financial Statements

June 30, 2023

(3) - Accounts Receivable

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

<u>Fund</u>	<u>Other Government</u>	<u>Property Taxes</u>	<u>Total</u>
General fund	\$ 22,263	67,225	89,488
Sewer fund	1,341	-	1,341
Special Revenue funds	<u>2,946</u>	<u>-</u>	<u>2,946</u>
Total	\$ <u>26,550</u>	<u>67,225</u>	<u>93,775</u>

(4) - Capital Assets

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

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>
Asset not being depreciated				
Land	\$ 136,010	-	-	136,010
Assets being depreciated				
Buildings	224,533	-	-	224,533
Infrastructure	364,640	25,000	-	389,640
Equipment	<u>522,207</u>	<u>-</u>	<u>-</u>	<u>522,207</u>
Total	\$ <u>1,247,390</u>	<u>25,000</u>	<u>-</u>	<u>1,272,390</u>
Accumulated depreciation	(662,322)			(714,149)
Capital Assets, net	<u>585,068</u>			<u>558,241</u>

All assets except land of \$136,010 are being depreciated. Depreciation expense was charged to functions/programs of the primary government as follows:

General Fund:	
General government administration	\$ 8,517
Fire department	13,972
Police department	15,054
Highways and Streets	11,752
Park and recreation	<u>2,532</u>
Total	<u>51,827</u>

CITY OF ELKTON, TENNESSEE

Notes to Financial Statements

June 30, 2023

(4) - Capital Assets, Continued

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

	Balance <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2023</u>
Sewer facilities	99,221	-	-	99,221
Accumulated depreciation	(60,451)			(64,883)
Capital Assets, net	<u>38,770</u>			<u>34,338</u>

Depreciation expense was \$4,432 during the year.

(5) - Risk Management

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

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

(6) - Commitments and Contingencies

Grants:

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

(7) - Sewer Operations

The City has agreed to provide sewer services to three customers.

CITY OF ELKTON, TENNESSEE

Notes to Financial Statements

June 30, 2023

(8) - Pension Plan

General Information about the Pension Plan

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

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

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

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>0</u>
Total	<u>1</u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be charged by the Tennessee General Assembly. Employees contribute 5 percent of salary. Elkton makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2023, employer contributions for Elkton were (\$6,874) based on a rate of (N/A) percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Elkton’s state shared taxes if required employer contributions are not remitted. The employers 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.

CITY OF ELKTON, TENNESSEE

Notes to Financial Statements

June 30, 2023

(8) - Pension Plan, Continued

Net Pension Liability (Asset)

Elkton'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.

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 percent

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

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

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.

CITY OF ELKTON, TENNESSEE

Notes to Financial Statements

June 30, 2023

(8) - Pension Plan, Continued

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

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

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

Discount rate. The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Elkton 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 ELKTON, TENNESSEE

Notes to Financial Statements

June 30, 2023

(8) - Pension Plan, Continued

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/21	\$50,284	\$32,410	\$17,874
Changes for the Year:			
Service Cost	-	-	-
Interest	3,176	-	3,176
Differences between expected and actual experience	1,475	-	1,475
Changes of benefit terms	-	-	-
Changes in assumptions	-	-	-
Contributions-employer	-	5,892	(5,892)
Contributions-employees	-	-	-
Net investment income	-	(1,229)	1,229
Benefit payments, including refunds of employee contributions	(6,454)	(6,454)	-
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	(1,803)	(1,791)	(12)
Balance at 6/30/2022	\$ 48,481	\$ 30,619	\$ 17,862

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of Elkton calculated using the discount rate of 6.75 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Elkton's net pension Liability (asset)	20,600	17,862	15,381

CITY OF ELKTON, TENNESSEE

Notes to Financial Statements

June 30, 2023

(8) - Pension Plan, Continued

Pension Expense (income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense (negative pension expense). For the year ended June 30, 2023, Elkton recognized pension expense(negative pension expense) of \$2,254.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and Actual experience	-	-
Net difference between projected and Actual earning on pension plan		
Investments	45	-
Changes in Assumptions	-	-
Contributions subsequent to the Measurement date of June 30, 2022	<u>6,874</u>	<u>-</u>
Total	<u>6,919</u>	<u>-</u>

The amounts shown above for ‘Contributions subsequent to the measurement date of June 30, 2022’, will be recognized as a reduction (increase) to net position liability (asset) in the following measurement period.

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

Year Ended June 30:	
2024	(\$179)
2025	(\$169)
2026	(\$286)
2027	\$680
2028	-
Thereafter	-

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

REQUIRED
SUPPLEMENTARY
INFORMATION

CITY OF ELKTON, TENNESSEE

Schedule of Required Supplementary Information

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

Last Fiscal Year ending June 30

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total pension liability (asset)									
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	\$ 3,813	\$ 3,612	\$ 3,514	\$ 3,411	\$ 3,307	\$ 3,199	\$ 3,097	\$ 2,988	\$ 3,176
Changes in benefit terms	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Differences between actual & expected experience	\$ 1,436	\$ 1,525	\$ 1,572	\$ 1,631	\$ 1,660	\$ 1,853	\$ 1,847	\$ 1,985	\$ 1,475
Change of assumptions	-	-	\$ -	\$ 1,545	\$ -	\$ -	\$ -	\$ 7,325	\$ -
Benefit payments, including refunds of employee contributions	\$ (9,395)	\$ (6,454)	\$ (6,454)	\$ (6,454)	\$ (6,454)	\$ (6,454)	\$ (6,454)	\$ (6,454)	\$ (6,454)
Net change in total pension liability (asset)	\$ (4,146)	\$ (1,317)	\$ (1,368)	\$ 133	\$ (1,487)	\$ (1,402)	\$ (1,510)	\$ 5,844	\$ (1,803)
Total pension liability (asset)-beginning	\$ 55,537	\$ 51,391	\$ 50,074	\$ 48,706	\$ 48,839	\$ 47,352	\$ 45,950	\$ 44,440	\$ 50,284
Total pension liability (asset)-ending (a)	\$ 51,391	\$ 50,074	\$ 48,706	\$ 48,839	\$ 47,352	\$ 45,950	\$ 44,440	\$ 50,284	\$ 48,481
Plan fiduciary net position									
Contributions-employer	\$ 5,152	\$ 4,763	\$ 4,763	\$ 5,629	\$ 5,424	\$ 5,436	\$ 5,580	\$ 5,736	\$ 5,892
Contributions-employee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net investment income	\$ 3,802	\$ 732	\$ 605	\$ 2,511	\$ 1,970	\$ 1,838	\$ 1,269	\$ 6,720	\$ (1,229)
Benefit payments, including refunds of employee contributions	\$ (9,395)	\$ (6,454)	\$ (6,454)	\$ (6,454)	\$ (6,454)	\$ (6,454)	\$ (6,454)	\$ (6,454)	\$ (6,454)
Administrative expense	\$ (2)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	\$ (443)	\$ (959)	\$ (1,086)	\$ 1,686	\$ 940	\$ 820	\$ 395	\$ 6,002	\$ (1,791)
Plan fiduciary net position-beginning	\$ 25,055	\$ 24,612	\$ 23,653	\$ 22,567	\$ 24,253	\$ 25,193	\$ 26,013	\$ 26,408	\$ 32,410
Plan fiduciary net position-ending (b)	\$ 24,612	\$ 23,653	\$ 22,567	\$ 24,253	\$ 25,193	\$ 26,013	\$ 26,408	\$ 32,410	\$ 30,619
Net Pension Liability (asset)-ending (a) - (b)	\$ 26,779	\$ 26,421	\$ 26,139	\$ 24,586	\$ 22,159	\$ 19,937	\$ 18,032	\$ 17,874	\$ 17,862
Plan fiduciary net position as a percentage of total pension liability	47.89%	47.24%	46.33%	49.66%	53.20%	56.61%	59.42%	64.45%	63.16%
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability (asset) as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

CITY OF ELKTON, TENNESSEE

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

For the Year Ended June 30, 2023

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Actuarially determined contribution	5,152	4,763	4,763	5,629	5,424	5,436	5,580	5,736	5,892	6,874
Contributions in relation to the actuarially determined contribution	<u>5,152</u>	<u>4,763</u>	<u>4,763</u>	<u>5,629</u>	<u>5,424</u>	<u>5,436</u>	<u>5,580</u>	<u>5,736</u>	<u>5,892</u>	<u>6,874</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered-employee payroll	-	-	-	-	-	-	-	-	-	-
Contributions as a percentage covered-employee payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

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

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

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

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

SUPPLEMENTAL
INFORMATION

CITY OF ELKTON, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds

Schedule of Capital Assets By Type

June 30, 2023

	<u>Land</u>	<u>Building</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Total</u>
General government	136,010	68,717	29,527	25,000	259,254
Police department	0	10,218	81,520	0	91,738
Fire department	0	145,598	344,529	0	490,127
Highway and Streets	0	0	9,745	364,640	374,385
Park and recreation	<u>0</u>	<u>0</u>	<u>56,886</u>	<u>0</u>	<u>56,886</u>
Total	<u><u>136,010</u></u>	<u><u>224,533</u></u>	<u><u>522,207</u></u>	<u><u>389,640</u></u>	<u><u>1,272,390</u></u>

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

CITY OF ELKTON, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes in Capital Assets by Function and Activity

June 30, 2023

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2023</u>
Function and activity:				
General government	\$234,254	25,000	0	259,254
Public safety				
Police protection	91,738	0	0	91,738
Fire protection	490,127	0	0	490,127
Recreation - city park	56,886	0	0	56,886
Highway and streets	<u>374,385</u>	<u>0</u>	<u>0</u>	<u>374,385</u>
Total	<u>\$1,247,390</u>	<u>25,000</u>	<u>0</u>	<u>1,272,390</u>

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

CITY OF ELKTON, TENNESSEE

Schedule of Cash and Cash Equivalents
All Funds

June 30, 2023

	<u>Carrying Value</u>
General Fund:	
Demand deposits	\$248,739
Total General Fund	<u>248,739</u>
State Street Aid Fund:	
Demand deposits	24,737
Total State Street Aid Fund	<u>24,737</u>
Drug Fund:	
Demand deposits	6,003
Total Drug Fund	<u>6,003</u>
Santitation Fund:	
Demand deposits	12,936
Total Santitation Fund	<u>12,936</u>
Total Special Revenue Funds	<u>43,676</u>
Sewer Fund:	
Demand deposits	52,152
Total Sewer Fund	<u>52,152</u>
Total - All funds	<u><u>\$344,567</u></u>

CITY OF ELKTON, TENNESSEE

Schedule of Changes in Property Taxes Receivable

For the Year Ended June 30, 2023

<u>Tax Year</u>	<u>Balance July 1, 2022</u>	<u>Levy</u>	<u>Collections and Changes in Assessment</u>	<u>Balance June 30, 2023</u>
2023	\$ -	45,295	0	45,295
2022	43,000	2,295	38,673	6,622
2021	6,684	0	109	6,575
2020	3,583	0	0	3,583
2019	3,517	0	0	3,517
2018	1,147	0	0	1,147
2017	161	0	0	161
2016	140	0	0	140
2015	33	0	0	33
2014	152	0	0	152
	<u>\$58,417</u>	<u>47,590</u>	<u>38,782</u>	<u>67,225</u>

<u>Tax Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Tax Adjustment and Collections</u>	<u>Outstanding Delinquent Taxes</u>
2023	\$ 0.3403	\$ 45,295	\$ 0	45,295
2022	0.3403	45,295	38,673	6,622
2021	0.5000	45,295	38,720	6,575
2020	0.5000	41,122	37,539	3,583
2019	0.5000	40,065	36,548	3,517
2018	0.5000	39,148	38,001	1,147
2017	0.4739	37,615	37,454	161
2016	0.50	38,149	38,009	140
2015	0.50	37,176	37,143	33
2014	0.50	37,023	36,871	152

All delinquent taxes have been filed.

CITY OF ELKTON, TENNESSEE

Schedule of Utility Rates

June 30, 2023

Rates:

Per 1,000 gallons used: \$ 15.89

There were 3 metered water customers at June 30, 2023.

CITY OF ELKTON, TENNESSEE

Schedule of Federal and State Financial Assistance

For the Year Ended June 30, 2023

<u>Assistance Listing Number</u>	<u>State Grant Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Receivable (Deferred) Balance July 1, 2022</u>	<u>Grant Receipts</u>	<u>Other Receipts</u>	<u>Grant Expenditures</u>	<u>Receivable (Deferred) Balance June 30, 2023</u>
State Program:								
N/A	GHSO22-120	Highway Safety	Tennessee Department of Transportation	<u>0</u>	<u>3,789</u>	<u>0</u>	<u>3,789</u>	<u>0</u>
			Total State	<u>0</u>	<u>3,789</u>	<u>0</u>	<u>3,789</u>	<u>0</u>
Federal Program:								
10.766	N/A	American Rescue Plan Act		<u>(16,803)</u>	<u>77,739</u>	<u>0</u>	<u>53,764</u>	<u>(40,778)</u>
			Total Federal	<u>(16,803)</u>	<u>77,739</u>	<u>0</u>	<u>53,764</u>	<u>(40,778)</u>
			Total State and Federal	<u>(16,803)</u>	<u>81,528</u>	<u>0</u>	<u>57,553</u>	<u>(40,778)</u>

This schedule prepared on the modified accrual basis of accounting.

COMPLIANCE AND INTERNAL CONTROL

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

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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

Mayor and Board of Aldermen
City of Elkton, Tennessee
Elkton, Tennessee

I have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities and each major fund of the City of Elkton as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Elkton's basic financial statements, and have issued a report thereon dated August 31, 2023.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Elkton'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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Elkton's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Elkton'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 the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2023-001 and 2023-002, that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Elkton's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 2023-002.

Response to Findings

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

Purpose of This Report

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

Jeli R Poole, CPA

August 31, 2023

CITY OF ELKTON, TENNESSEE

Schedule of Findings and Responses

June 30, 2023

2023-001 - Separation of Duties

Condition: The City of Elkton currently has one employee that works in performing the majority of the accounting functions for the City. Due to only having one employee performing the accounting transactions there is currently an inadequate segregation of duties.

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

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

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

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

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

2023-002 - Expenditures in Excess of Appropriations in Government Funds

Condition: Actual expenditures exceeded budgeted expenditures in the Sanitation fund.

Criteria: TCA 6-56-203 states in part: The governing body of each municipality shall adopt and operate under an annual budget ordinance. ...all moneys received and expended by a municipality shall be included in a budget ordinance. Therefore, notwithstanding any other law, no municipality may expend any moneys regardless of their source...except in accordance with a budget ordinance adopted under this section.

Cause: The City did not properly monitor expenditures.

Effect: Expenditures could exceed approved budgeted amounts, compromising the Town's financial position.

Recommendation: If it appears during the fiscal year that actual expenditures will exceed budgeted amounts, the Mayor and Board of Aldermen should amend the budget or provide supplemental appropriations.

Response and Corrective Action: We concur. In the future, expenditures will be closely monitored to ensure that actual expenditures do not exceed budgeted amounts without a corresponding budget amendment or supplemental appropriation.

CITY OF ELKTON, TENNESSEE

Schedule of Disposition of Prior Year Comments

June 30, 2023

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

The original finding number was 1998-001. The current finding number was 2023-001.

2022 - 002	Expenditures in Excess of Appropriations in Government Funds	Repeated
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The original finding number was 2022-002. The current finding number was 2023-002.

City of Elkton

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Management's Corrective Action Plan

Audit period: June 30, 2023

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

2023-001 Segregation of Duties (Internal Control)

Contact person: Kasidy Shaw

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

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

2023-002 Expenditures in Excess of Appropriations in Government Funds

Contact person: Kasidy Shaw

Planned Corrective Action: The City will more closely monitor financial performance to prevent overspending on budgets in future periods.

Anticipated Completion Date: June 30, 2024

Signature:

