

TOWN OF HALLS, TENNESSEE
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

June 30, 2023

**TOWN OF HALLS, TENNESSEE
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INTRODUCTORY SECTION

TOWN OF HALLS, TENNESSEE
June 30, 2023

MAYOR

Eugene Pugh

BOARD OF ALDERMEN

James Tyus
David Jennings
Rhonda Harris
Wayne Belton
John Cunningham
Dale McCaslin

CERTIFIED MUNICIPAL FINANCE OFFICER

Carla McBroom

RECORDER

Tammy Lewis

FINANCIAL SECTION



Independent Auditor's Report

The Honorable Mayor and Board of Aldermen
Town of Halls, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Halls, Tennessee (the Town), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparisons for the general fund, senior center fund, and sanitation fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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 Town'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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes

our 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 judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules related to pensions as listed in the Table of Contents 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Supplementary Information section is presented for purposes of additional analysis and are 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 our opinion, the Supplementary Information section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2024, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

ATA, PLLC

Dyersburg, Tennessee
January 30, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Halls, Tennessee, we offer readers of the Town of Halls, Tennessee's financial statements this narrative overview and analysis of the financial activities of the Town of Halls for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

Management believes the Town of Halls' financial condition is sufficiently strong to provide services to its citizens in the future. The Town is within its budget for the current year and plans to monitor all funds frequently to assure compliance with policies set forth by the Mayor and Board of Aldermen. The following are key financial highlights.

- The assets and deferred outflows of resources of the Town of Halls exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$14.91 million. Of this amount, \$5.39 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The Town's total net position decreased by \$518 thousand.
- On June 30, 2023, the Town's governmental funds reported combined ending fund balance of \$2.14 million, a decrease of \$119 thousand.
- On June 30, 2023 unassigned fund balance for the general fund was \$985 thousand, or 41% of total general fund expenditures.
- The Town's total long-term debt increased by \$377 thousand during the year ended June 30, 2023. Of this amount, general long-term debt increased by \$517 thousand; water and sewer long-term debt decreased by \$140 thousand.
- The Town's capital assets net of depreciation decreased by \$263 thousand during the year ended June 30, 2023. This decrease was due to current year depreciation, as well as additions of vehicles in governmental-type activities and additions of construction in progress in business-type activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the Town's financial condition and activities. Summary financial statement data, key financial and operational indicators, budget and other management tools were used for this analysis. The Town'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 required, supplementary, and other information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

The *Statement of Net Position* presents the financial position of the Town on a full accrual, historical cost basis. The statement of net position provides information on all the Town's assets, liabilities and deferred outflows/inflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works, health, culture, welfare, and recreation, and an airport. The business-type activities of the Town include the operations of the water, sewer, and natural gas facilities.

The government-wide financial statements can be found on pages 11-13 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental funds - *Governmental* funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains seven individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the general fund, senior center fund, and sanitation fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor funds is provided in the form of combining statements elsewhere in this report.

The Town adopts an annual appropriations budget for all governmental funds. A budgetary comparison statement has been provided for all governmental funds to demonstrate compliance with this budget.

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

Proprietary funds - The Town maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial

statements. The Town uses enterprise funds to account for its Natural Gas, Waterworks, and Sewer activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide information for the Water, Sewer, and Gas activities of the Town, which are considered to be major funds.

The basic proprietary funds financial statements can be found on pages 24-29 of this report.

Notes to the Financial Statements

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the government-wide and fund financial statements. The notes present information about the Town's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. The notes to the financial statements can be found on pages 30-47 of this report.

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 Town of Halls, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$14.91 million at the close of the most recent fiscal year.

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

Condensed Statement of Net Position

	Governmental activities		Business-type activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 3,456,053	\$ 3,147,326	\$ 6,467,426	\$ 6,283,548	\$ 9,923,479	\$ 9,430,874
Capital assets	4,990,827	4,985,370	4,286,092	4,554,978	9,276,919	9,540,348
Total assets	<u>8,446,880</u>	<u>8,132,696</u>	<u>10,753,518</u>	<u>10,838,526</u>	<u>19,200,398</u>	<u>18,971,222</u>
Deferred outflows of resources	56,033	38,256	58,883	33,311	114,916	71,567
Long-term liabilities outstanding	1,722,886	1,205,736	1,302,348	1,442,378	3,025,234	2,648,114
Other liabilities	747,665	94,504	112,144	116,098	859,809	210,602
Total liabilities	<u>2,470,551</u>	<u>1,300,240</u>	<u>1,414,492</u>	<u>1,558,476</u>	<u>3,885,043</u>	<u>2,858,716</u>
Deferred inflow of resources	510,641	731,365	6,601	22,212	517,242	753,577
Net Position:						
Net investment in capital assets	3,267,941	3,767,265	2,983,744	3,112,600	6,251,685	6,879,865
Restricted	1,180,798	1,058,468	2,092,977	1,894,580	3,273,775	2,953,048
Unrestricted	<u>1,072,982</u>	<u>1,313,614</u>	<u>4,314,587</u>	<u>4,283,969</u>	<u>5,387,569</u>	<u>5,597,583</u>
Total net position	<u>\$ 5,521,721</u>	<u>\$ 6,139,347</u>	<u>\$ 9,391,308</u>	<u>\$ 9,291,149</u>	<u>\$ 14,913,029</u>	<u>\$ 15,430,496</u>

At year end, \$6.25 million of the Town's net position represented net investment in capital assets, \$3.27 million of the Town's net position represented resources that are subject to external restrictions on how they may be used. The remaining balance of \$5.39 million in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

The increase in current and other assets was primarily due to the increase of cash and cash equivalent, as well as due from other funds. The increase in long-term debt outstanding is due to \$646 thousand of new debt in the general fund and sanitation fund. The decrease in deferred inflows of resources is due to pensions.

At June 30, 2023 the Town was 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 and business-type activities.

Condensed Statement of Activities

	Governmental activities		Business-type activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program Revenues:						
Charges for services	\$ 631,310	\$ 597,312	\$ 2,321,011	\$ 2,392,470	\$ 2,952,321	\$ 2,989,782
Grants and contributions - operating	653,445	388,406	17,225	27,444	670,670	415,850
Grants and contributions - capital	-	489,725			-	489,725
General Revenues:						
Local taxes	657,551	655,150			657,551	655,150
Intergovernmental	648,935	639,409			648,935	639,409
Interest on investments	6,674	6,000	18,856	17,067	25,530	23,067
Other	144,366	183,001	65,695	59,116	210,061	242,117
Total revenues	<u>2,742,281</u>	<u>2,959,003</u>	<u>2,422,787</u>	<u>2,496,097</u>	<u>5,165,068</u>	<u>5,455,100</u>
Expenses:						
General government	726,888	395,485			726,888	395,485
Public safety	956,346	955,090			956,346	955,090
Public works	1,096,366	1,317,559			1,096,366	1,317,559
Airport	49,239	42,722			49,239	42,722
Culture, welfare, and recreation	496,259	517,316			496,259	517,316
Interest on long term debt	34,809	25,006			34,809	25,006
Sewer			323,132	312,594	323,132	312,594
Natural gas			1,069,186	1,071,483	1,069,186	1,071,483
Water			974,900	921,167	974,900	921,167
Total expenses	<u>3,359,907</u>	<u>3,253,178</u>	<u>2,367,218</u>	<u>2,305,244</u>	<u>5,727,125</u>	<u>5,558,422</u>
Increase (decrease) in net position	<u>(617,626)</u>	<u>(294,175)</u>	<u>55,569</u>	<u>190,853</u>	<u>(562,057)</u>	<u>(103,322)</u>
Net position - Beginning of year	6,139,347	6,383,297	9,291,149	9,100,296	15,430,496	15,483,593
Prior period adjustment		50,225				50,225
Net position - Beginning of year-restated	<u>6,139,347</u>	<u>6,433,522</u>	<u>9,291,149</u>	<u>9,100,296</u>	<u>15,430,496</u>	<u>15,533,818</u>
Net position - End of year	<u>\$ 5,521,721</u>	<u>\$ 6,139,347</u>	<u>\$ 9,346,718</u>	<u>\$ 9,291,149</u>	<u>\$ 14,868,439</u>	<u>\$ 15,430,496</u>

The government's net position decreased \$518 thousand during the current fiscal year. Of this, governmental net position decreased \$618 thousand. Business-type activity net position increased \$100 thousand.

Governmental activities - Governmental activities decreased the Town of Halls' net position by \$618 thousand. Key elements of this decrease are as follows:

- Decreases in operating and capital grants and contributions amounted to \$227 thousand.
- Increases in charges for services were \$34 thousand due to senior center revenues.
- Expenses in the general governmental increased by \$331 thousand due to an increase in HOME grant expenses.
- Expenses in the public works decreased by \$222 thousand due to a decrease in street resurfacings.

Business-type activities - Business-type activities increased the Town's net position by \$100 thousand. Key elements of the increase are as follows:

- Decreases in charges for services amounted to \$71 thousand.
- Increases in operating and capital grants and contributions amounted to \$34 thousand.
- Increases in Water expenses of \$54 thousand.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balance of \$2.14 million, a decrease of \$119 thousand in comparison with the prior year. Of this amount, \$985 thousand constitutes unassigned fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$985 thousand. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 41% of total general fund expenditures.

The fund balance of the Town's general fund decreased \$278 thousand during the current fiscal year.

Proprietary funds - The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary funds at the end of the year amounted to \$4.31 million. The total increase in net position for the proprietary funds was \$100 thousand. Other factors concerning the finances of these funds have been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget can be briefly summarized as follows:

- Increase in federal and state grant revenues of \$465 thousand.

- Increase in local revenue allocation of \$125 thousand.
- Increase in proceeds of bonds and notes of \$376 thousand.
- Increase in general government expense of \$443 thousand.
- Increase in highways, streets, and roadways expense of \$376 thousand.

Significant variances between final budget and actual were:

- Tax revenue under budget \$91 thousand due mainly to property taxes and local sales tax.
- Intergovernmental revenue under budget \$320 thousand due mainly to federal and state grants and local revenue allocations.
- General government expenses under budget \$125 thousand due to other charges.
- Police expenses over budget \$140 thousand due mainly to salaries and transportation equipment.

Capital Asset and Debt Administration

At the end of fiscal year 2023, the Town had \$9.28 million (net of accumulated depreciation) invested in a broad range of capital assets. This investment includes land and land improvements, general infrastructure, buildings, furniture and equipment, vehicles, utility system and construction in progress. The total decrease in the Town's investment in capital assets for the current period amounted to \$263 thousand.

Major capital asset events during the current fiscal year included the following:

Capital asset decreases in the proprietary funds of \$269 thousand mainly due to depreciation and increases in the governmental funds of \$6 thousand due to additions in equipment and offset by depreciation.

Additional information on the Town's capital assets can be found in Note 5B on page 37 of this report. The following tables summarize the Town's capital assets and changes therein, for the year ended June 30, 2023. These changes are presented in detail in Note 5B to the financial statements.

	Governmental activities		Business-type activities		Total	
	2023	2022	2023	2022	2023	2022
Land (not depreciated)	\$ 680,605	\$ 680,605	\$ 36,300	\$ 36,300	\$ 716,905	\$ 716,905
Construction in progress(not depreciated)	181,005	195,462	49,000		230,005	195,462
Buildings	2,696,463	2,667,588	224,178	224,178	2,920,641	2,891,766
Vehicles and equipment			1,982,192	1,982,192	1,982,192	1,982,192
Furniture and equipment	2,970,825	2,729,745			2,970,825	2,729,745
Infrastructure	3,336,149	3,336,149			3,336,149	3,336,149
Utility plant in operation			12,624,379	12,624,379	12,624,379	12,624,379
Total Capital Assets	9,865,047	9,609,549	14,916,049	14,867,049	24,781,096	24,476,598
Less: Accumulated Depreciation	4,874,220	4,624,179	10,629,957	10,312,071	15,504,177	14,936,250
Total, Net of Depreciation	\$ 4,990,827	\$ 4,985,370	\$ 4,286,092	\$ 4,554,978	\$ 9,276,919	\$ 9,540,348

Long-term debt - At the end of the current fiscal year, the Town had total debt outstanding of \$3.03 million. Of this amount \$1.25 million comprised debts backed by the full faith and credit of the government, and \$1.78 million represents bonds and notes payable secured primarily by a specified revenue source with a full faith and credit pledge.

	Governmental activities		Business-type activities		Total	
	2023	2022	2023	2022	2023	2022
General obligation debt	\$ 1,245,910	\$ 703,000	\$	\$	\$ 1,245,910	\$ 703,000
Revenue bonds	476,976	502,736	840,000	925,000	1,316,976	1,427,736
Notes payable			462,348	517,378	462,348	517,378
Total	\$ 1,722,886	\$ 1,205,736	\$ 1,302,348	\$ 1,442,378	\$ 3,025,234	\$ 2,648,114

The Town's total debt increased \$377 thousand during the current fiscal year. Of this amount, general obligation debt increased by \$517 thousand, while water and sewer debt decreased by \$140 thousand.

Additional information on the Town's long-term debt can be found in Note 5D on page 40.

Economic Factors and Next Year's Budget and Rates

Factors considered in preparing the Town's budget for the 2024 fiscal year include the following:

- The 2023 unemployment rate for Halls and Lauderdale County was 5.5%, compared to the State's average rate of 3.2%

At June 30, 2023 the unassigned fund balance in the general fund was \$985 thousand. The Town has approved an operating budget for the general fund of \$2,715,858 for fiscal year 2024 with a planned increase in fund balance of \$8,169.

Contacting the Town's Financial Management

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any information provided in this report or requests for any additional information should be directed to the Office of the Town Recorder, Town of Halls, 208 N. Church Street, Halls, Tennessee 38040.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF HALLS, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,626,128	\$ 3,928,918	\$ 6,555,046
Receivables:			
Taxes	110,778		110,778
Property taxes	543,983		543,983
Accounts	44,738	156,316	201,054
Grants	68,101	12,740	80,841
Internal balances	15,880	(15,880)	
Other current assets		3,029	3,029
Inventory		126,565	126,565
Restricted assets:			
Cash and cash equivalents	19,507	2,207,236	2,226,743
Net pension asset	26,938	48,502	75,440
Capital assets not being depreciated:			
Land	680,605	36,300	716,905
Construction in progress	181,005	49,000	230,005
Capital assets being depreciated (net of accumulated depreciation):			
Buildings	1,564,402	63,661	1,628,063
Equipment	1,116,333	454,486	1,570,819
Infrastructure / Improvements	1,448,482		1,448,482
General plant		3,682,645	3,682,645
Total assets	8,446,880	10,753,518	19,200,398
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows related to pension	\$ 56,033	\$ 58,883	\$ 114,916

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

TOWN OF HALLS, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2023

LIABILITIES	Governmental Activities	Business-type Activities	Total
Accounts payable	\$ 151,477	\$ 33,863	\$ 185,340
Payroll payable	86,199		86,199
Accrued expenses		7,040	7,040
Customer deposits	2,750	71,241	73,991
Unearned revenue	507,239		507,239
Long-term liabilities:			
Due within one year	204,443	140,940	345,383
Due in excess of one year	1,518,443	1,161,408	2,679,851
Total liabilities	<u>2,470,551</u>	<u>1,414,492</u>	<u>3,885,043</u>
 DEFERRED INFLOW OF RESOURCES			
Deferred inflows related to pension	2,487	6,601	9,088
Unavailable revenue - property taxes	508,154		508,154
Total deferred inflow of resources	<u>510,641</u>	<u>6,601</u>	<u>517,242</u>
 NET POSITION			
Net investment in capital assets	3,267,941	2,983,744	6,251,685
Restricted for:			
Net pension asset	26,938	48,502	75,440
Senior Center	100,119		100,119
Sanitation	880,518		880,518
State Street Aid	57,945		57,945
Community Center	49,755		49,755
Library	57,738		57,738
Narcotics Fund	7,785		7,785
Debt service		2,044,475	2,044,475
Unrestricted	1,072,982	4,314,587	5,387,569
Total net position	<u>\$ 5,521,721</u>	<u>\$ 9,391,308</u>	<u>\$ 14,913,029</u>

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

TOWN OF HALLS, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Business-type Activities
Primary government							
Governmental activities:							
General government	\$ 726,888	\$ 99,582	\$ 324,869		\$ (302,437)	\$ (302,437)	
Public safety	956,346	9,581			(946,765)	(946,765)	
Public works	1,096,366	487,033	76,721		(532,612)	(532,612)	
Health, culture, welfare, and recreation	496,259	30,263	242,471		(223,525)	(223,525)	
Airport	49,239	4,851	9,384		(35,004)	(35,004)	
Interest on debt	34,809				(34,809)	(34,809)	
Total governmental activities	<u>3,359,907</u>	<u>631,310</u>	<u>653,445</u>		<u>(2,075,152)</u>	<u>(2,075,152)</u>	
Business-type activities:							
Natural Gas	1,069,186	1,040,798	4,325		(24,063)	(24,063)	
Waterworks	974,900	972,804	11,400	44,590	53,894	53,894	
Sewer	323,132	307,409	1,500		(14,223)	(14,223)	
Total business-type activities	<u>2,367,218</u>	<u>2,321,011</u>	<u>17,225</u>	<u>44,590</u>	<u>15,608</u>	<u>15,608</u>	
Total primary government	<u>\$ 5,727,125</u>	<u>\$ 2,952,321</u>	<u>\$ 670,670</u>	<u>\$ 44,590</u>	<u>\$ (2,075,152)</u>	<u>\$ (2,059,544)</u>	
General revenues:							
Property taxes - levied for general government					657,551	657,551	
In lieu of property taxes					51,409	51,409	
Sales taxes					447,756	447,756	
Franchise taxes					10,479	10,479	
Alcoholic beverage taxes					105,675	105,675	
Business taxes					285	285	
Corporate excise taxes					31,331	31,331	
Telecommunication taxes					2,000	2,000	
Other sources					144,366	65,695	
Unrestricted interest income					6,674	18,856	
Total general revenues and transfers					<u>1,457,526</u>	<u>84,551</u>	
Changes in net position					(617,626)	100,159	(517,467)
Net position - beginning					<u>6,139,347</u>	<u>9,291,149</u>	<u>15,430,496</u>
Net position - ending					<u>\$ 5,521,721</u>	<u>\$ 9,391,308</u>	<u>\$14,913,029</u>

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

FUND FINANCIAL STATEMENTS

TOWN OF HALLS, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	General	Senior Center	Sanitation	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,757,077	\$ 23,824	\$ 694,972	\$ 150,255	\$ 2,626,128
Receivables:					
Taxes	97,089			13,689	110,778
Property taxes, net of allowance of \$149	543,983				543,983
Accounts	2,002		42,736		44,738
Grants	7,530	60,571			68,101
Due from other funds	941	91	152,609	16,094	169,735
Restricted assets:					
Cash and cash equivalents		19,507			19,507
Total assets	\$ 2,408,622	\$ 103,993	\$ 890,317	\$ 180,038	\$ 3,582,970
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 131,689	\$ 3,874	\$ 11,559	\$ 4,355	\$ 151,477
Payroll payable	86,199				86,199
Customer deposits	600			2,150	2,750
Unearned revenue - grant	507,239				507,239
Due to other funds	153,545			310	153,855
Total liabilities	879,272	3,874	11,559	6,815	901,520
Deferred inflows of resources					
Unavailable revenue - property taxes	544,133				544,133
Fund balance:					
Restricted					
Senior Center		100,119			100,119
Sanitation			878,758		878,758
State Street Aid				57,945	57,945
Narcotics Fund				7,785	7,785
Library				57,738	57,738
Community Center				49,755	49,755
Unassigned	985,217				985,217
Total fund balance	985,217	100,119	878,758	173,223	2,137,317
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,408,622	\$ 103,993	\$ 890,317	\$ 180,038	\$ 3,582,970

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

TOWN OF HALLS, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2023

Amounts reported for the governmental activities in the statement of net position are different because:

Total Fund Balance of Governmental Funds	\$	2,137,317
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.		4,990,827
Receivables not available to pay for current expenditures, therefore, are deferred in the funds.		35,979
Net pension assets are not due and collectible in the current period and are not reported in the funds		26,938
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.		
Add: Deferred outflows of resources related to pensions		56,033
Less: Deferred inflows of resources related to pensions		(2,487)
Long-term liabilities, including notes and leases payable, are not due in the current period and, therefore, are not reported in the funds.		(1,722,886)
Net Position of Governmental Activities	\$	5,521,721

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

TOWN OF HALLS, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2023

	General	Senior Center	Sanitation	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 1,006,538	\$	\$	\$	\$ 1,006,538
Intergovernmental	314,376	41,368		72,890	428,634
Federal and state grants	347,289	170,464	-		517,753
Charges for services	78,090		478,502		556,592
Forfeited discounts and penalties			8,653		8,653
Fines	18,778			546	19,324
Other	44,513	65,539	2,018	48,921	160,991
Total revenues	1,809,584	277,371	489,173	122,357	2,698,485
Expenditures:					
Current:					
General government	602,272				602,272
Public safety	952,057				952,057
Sanitation			670,888		670,888
Highways, streets and roadways	535,120			60,904	596,024
Health and welfare	1,454				1,454
Community center				7,728	7,728
Recreation	121,002				121,002
Library				51,909	51,909
Airport	43,344				43,344
Senior Citizens Center		275,161			275,161
Debt service:					
Principal	104,850		24,000		128,850
Interest	32,265		784		33,049
Capital outlay	8,595				8,595
Total expenditures	2,400,959	275,161	695,672	120,541	3,492,333
Excess (deficiency) of revenues over (under) expenditures	(591,375)	2,210	(206,499)	1,816	(793,848)
Other financing sources (uses):					
Proceeds of bonds and notes	376,000		270,000		646,000
Sale of equipment			31,232		31,232
Transfer in		42,000		20,700	62,700
Transfer out	(62,700)		-		(62,700)
Total other financing sources (uses)	313,300	42,000	301,232	20,700	677,232
Net change in fund balance	(278,075)	44,210	94,733	22,516	(116,616)
Fund balance - July 1, 2022	1,263,292	55,909	785,785	150,707	2,255,693
Fund balance - June 30, 2023	\$ 985,217	\$ 100,119	\$ 880,518	\$ 173,223	\$ 2,139,077

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

TOWN OF HALLS, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2023

Amounts reported for the governmental activities in the statement of activities are different because:

Net change in fund balances of governmental funds	\$ (116,616)
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 in the current period. This is the amount by which capital outlays exceeded depreciation in the current period.	5,457
Governmental funds do not report amounts for gain on disposal of assets. However, in the statement of activities, the disposal is reported net of accumulated depreciation. This is the amount by which purchase price exceeded net book value.	12,367
Some taxes will not be collected for several months after the Town's fiscal year ends; therefore, they are not considered "available" revenues in the governmental funds. Unavailable revenues decreased by this amount this year	319
The actuarially determined pension expense does not consume current financial resources, and therefore, is not reported in the governmental funds. It is reported as expense in the statement of activities.	(243)
Proceeds from long-term debt	(646,000)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions do not have any effect on net position.	<u>128,850</u>
Change in net position of governmental activities	<u>\$ (615,866)</u>

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

TOWN OF HALLS, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Over (Under)
<u>REVENUES</u>				
Taxes				
Property taxes	\$ 694,000	\$ 694,000	\$ 657,230	\$ (36,770)
Interest and penalty - property taxes	11,000	11,000	5,862	(5,138)
Payments received in lieu of property taxes	29,000	29,000	26,269	(2,731)
Local beer tax	70,000	70,000	72,174	2,174
Local liquor tax	30,000	30,000	32,547	2,547
Business taxes and permits	550	550	575	25
Building permits	1,500	1,500	1,355	(145)
Cable T.V. franchise tax	12,100	12,100	10,479	(1,621)
Local sales tax	250,000	250,000	200,047	(49,953)
Total taxes	<u>1,098,150</u>	<u>1,098,150</u>	<u>1,006,538</u>	<u>(91,612)</u>
 <u>Revenues from Use of Facilities and Services</u>				
Rent and royalties	39,642	52,105	53,446	1,341
Sale of aviation fuel	2,500	2,500	4,851	2,351
Miscellaneous services	20,300	20,300	19,793	(507)
Total revenues from facilities and services	<u>62,442</u>	<u>74,905</u>	<u>78,090</u>	<u>3,185</u>
 <u>Intergovernmental Revenues</u>				
State sales tax	232,101	232,101	247,708	15,607
State petroleum special tax	4,826	4,826	3,831	(995)
State beer tax	982	982	955	(27)
State TVA in-lieu of tax	26,000	26,000	25,141	(859)
State excise tax	23,500	31,331	31,331	
State sports betting tax	3,136	3,136	3,410	274
State telecommunication taxes	1,580	1,580	2,000	420
Federal and state grants	16,638	480,923	347,289	(133,634)
Local revenues allocation	75,000	200,000		(200,000)
Total intergovernmental revenues	<u>383,763</u>	<u>980,879</u>	<u>661,665</u>	<u>(319,214)</u>
 <u>Miscellaneous Revenues</u>				
Court fines and cost	13,450	13,450	18,778	5,328
Air show		10,585		(10,585)
Sale of property	1,000	1,000		(1,000)
Donations	10,800	10,800	11,300	500
Other miscellaneous revenue	4,030	13,930	28,686	14,756
Interest earnings	4,400	4,400	4,527	127
Total miscellaneous revenues	<u>33,680</u>	<u>54,165</u>	<u>63,291</u>	<u>9,126</u>
Total revenues	<u>1,578,035</u>	<u>2,208,099</u>	<u>1,809,584</u>	<u>(398,515)</u>

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

TOWN OF HALLS, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Over (Under)
<u>Expenditures</u>				
<u>Current</u>				
<u>General Government</u>				
Salaries and wages	90,000	90,000	144,025	54,025
Payroll taxes	8,771	8,771	6,557	(2,214)
Retirement	7,500	7,500	1,402	(6,098)
Election officials and clerks	1,500	1,205	757	(448)
Health insurance	7,000	7,000	4,643	(2,357)
Advertising and public relations	2,000	2,000	2,865	865
Sundry expense	5,500	5,500	5,733	233
Postage, memberships, and dues	16,044	16,044	11,604	(4,440)
Utilities and telephone	27,850	27,850	20,685	(7,165)
Professional fees	26,100	26,100	10,094	(16,006)
Contributions and grants	9,847	9,847	6,500	(3,347)
Repairs, maintenance, and janitorial	12,975	12,975	10,248	(2,727)
Out-of-town expense	5,000	5,000	557	(4,443)
Office supplies and materials	1,000	1,000	516	(484)
Operating supplies	8,625	8,625	13,909	5,284
Office machinery and equipment	23,000	3,000		(3,000)
Insurance	19,000	19,000	16,214	(2,786)
Publicity	5,000	7,500	7,500	
Contractual services	6,400	8,200	3,457	(4,743)
CDBG Housing grant		319,870	323,470	3,600
Capital outlay		10,858	7,529	(3,329)
COVID cares		2,920	2,920	
Other charges	1,100	126,395	1,087	(125,308)
Total general government	<u>284,212</u>	<u>727,160</u>	<u>602,272</u>	<u>(124,888)</u>
<u>Public Safety</u>				
<u>Police Department</u>				
Salaries, wages, and officials' fee	469,928	474,840	521,935	47,095
Payroll taxes	37,230	37,230	39,717	2,487
Employee insurance	39,000	39,000	45,147	6,147
Retirement	11,000	11,000	10,590	(410)
Insurance	36,000	36,000	47,643	11,643
Memberships, publications, and public relations	6,400	6,475	3,648	(2,827)
Utilities and telephone	13,000	13,000	12,449	(551)
Repair and maintenance	9,000	9,000	16,276	7,276
Office supplies and materials	400	400		(400)
Operating supplies	3,000	3,000	19,736	16,736
Food	300	500	1,105	605
Clothing and uniforms	7,000	7,000	16,181	9,181
Gas, oil, and grease	25,000	25,000	34,496	9,496
Professional services	30,200	30,200	29,450	(750)
Out-of-town expense	1,500	1,500	3,204	1,704
Sundry	1,200	2,841	9,447	6,606
Transportation equipment		20,000	46,849	26,849
Other equipment	2,500	4,649	6,416	1,767
Other charges	13,250	13,250	10,227	(3,023)
Total police department	<u>705,908</u>	<u>734,885</u>	<u>874,516</u>	<u>139,631</u>

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

TOWN OF HALLS, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures</u>				
<u>Public Safety</u>				
<u>Fire Department</u>				
Salaries and wages	22,000	22,000	30,747	8,747
Payroll taxes	1,680	1,680	2,352	672
Utilities and telephone	5,700	5,700	6,616	916
Repair and maintenance	4,500	4,500	6,348	1,848
Sundry	850	850		(850)
Memberships and dues	2,200	2,200	625	(1,575)
Insurance	14,892	14,892	14,490	(402)
Operating supplies	5,000	5,000	8,715	3,715
Out of town expense	600	600		(600)
Gas and oil	1,500	1,500	1,317	(183)
Clothing and uniforms	2,000	2,000	396	(1,604)
Communication equipment	1,000	1,000		(1,000)
Other machinery and equipment	1,500	1,500	151	(1,349)
Other charges	1,250	1,250	867	(383)
Total fire department	<u>64,672</u>	<u>64,672</u>	<u>72,624</u>	<u>7,952</u>
<u>Ambulance Services</u>				
Supplies	300	300		(300)
Repair and maintenance	1,300	1,300	138	(1,162)
Contractual services	300	300	300	
Utilities	4,100	4,100	4,479	379
Total ambulance services	<u>6,000</u>	<u>6,000</u>	<u>4,917</u>	<u>(1,083)</u>
Total public safety	<u>776,580</u>	<u>805,557</u>	<u>952,057</u>	<u>146,500</u>
<u>Highways, Streets, and Roadways</u>				
Salaries and wages	31,300	31,300	32,089	789
Payroll taxes	2,295	2,295	2,421	126
Employee insurance	10,370	10,370	11,160	790
Retirement	675	675	699	24
Gas and oil	4,600	4,600	14,321	9,721
Professional services	200	200		(200)
Operating supplies	10,600	10,600	16,372	5,772
Advertising	100	100		(100)
Supplies	7,000	7,000	10,373	3,373
Food	50	50	117	67
Repair, maintenance, and resurfacing	22,174	22,174	50,553	28,379
Clothing and uniforms	500	500	1,234	734
Contractual services	2,000	378,000	370,177	(7,823)
Insurance	7,180	7,180	4,864	(2,316)
Other machinery and equipment	30,000	30,000	8,484	(21,516)
Other charges	5,569	5,569	20,740	15,171
Total highways, streets, and roadways	<u>134,613</u>	<u>510,613</u>	<u>543,604</u>	<u>32,991</u>
<u>Health and Welfare</u>				
Operating supplies	1,000	1,000	156	(844)
Repair and maintenance	6,000	6,000	1,298	(4,702)
Total health and welfare	<u>7,000</u>	<u>7,000</u>	<u>1,454</u>	<u>(5,546)</u>

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

TOWN OF HALLS, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACUTAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures</u>				
<u>Recreation</u>				
Salaries and wages	42,000	42,000	37,324	(4,676)
Payroll taxes	2,678	2,678	3,118	440
Employee insurance	1,150	1,150		(1,150)
Utilities	24,988	25,988	29,516	3,528
Advertising	50	50		(50)
Operating supplies	3,875	3,875	6,060	2,185
Repair and maintenance	7,600	12,456	20,340	7,884
Professional fees	150	150		(150)
Contractual services	11,725	11,725	11,810	85
Membership registration	500	500		(500)
Gas and oil	1,000	1,000	387	(613)
Insurance	13,610	13,610	11,118	(2,492)
Office expense	50	50		(50)
Other miscellaneous	5,351	5,351	1,329	(4,022)
Other improvements	3,000	3,000	111	(2,889)
Total recreation	<u>117,727</u>	<u>123,583</u>	<u>121,113</u>	<u>(2,470)</u>
<u>Airport</u>				
Salaries and wages	6,150	6,150	6,108	(42)
Payroll taxes	776	776	467	(309)
Office expense	600	600	528	(72)
Repair and maintenance	5,350	5,350	2,060	(3,290)
Insurance	7,900	7,900	6,802	(1,098)
Gas and oil	20,000	20,000	11,426	(8,574)
Operating supplies	1,750	1,750	3,827	2,077
Utilities and telephone	6,200	6,200	4,904	(1,296)
Out of town expense	500	500	494	(6)
Office machinery and equipment	4,900	4,900	268	(4,632)
Contractual services	8,000	8,000	4,600	(3,400)
Professional fees	110	110		(110)
Other charges	1,700	1,700	1,860	160
Total airport	<u>63,936</u>	<u>63,936</u>	<u>43,344</u>	<u>(20,592)</u>
<u>Debt Service</u>				
Retirement of bonds and notes	118,638	118,638	104,850	(13,788)
Interest on bonds and notes	32,632	32,632	32,265	(367)
Total debt service	<u>151,270</u>	<u>151,270</u>	<u>137,115</u>	<u>(14,155)</u>
Total expenditures	<u>1,535,338</u>	<u>2,389,119</u>	<u>2,400,959</u>	<u>11,840</u>
Revenues over (under) expenditures	<u>42,697</u>	<u>(181,020)</u>	<u>(591,375)</u>	<u>(410,355)</u>
<u>Other Financing Sources (Uses)</u>				
Proceeds of bonds and notes		376,000	376,000	
Transfer from other funds	26,501	26,501		(26,501)
Transfer to other funds	(48,700)	(48,700)	(62,700)	(14,000)
Total other financing sources (uses)	<u>(22,199)</u>	<u>353,801</u>	<u>313,300</u>	<u>(40,501)</u>
Net change in fund balance	20,498	172,781	(278,075)	(450,856)
Fund balance - July 1, 2022	1,263,292	1,263,292	1,263,292	
Fund balance - June 30, 2023	<u>\$ 1,283,790</u>	<u>\$ 1,436,073</u>	<u>\$ 985,217</u>	<u>\$ (450,856)</u>

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

TOWN OF HALLS, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - SENIOR CENTER FUND
For the Fiscal Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Over (Under)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
<u>Intergovernmental Revenues</u>				
Federal grant	\$ 96,508	\$ 96,508	\$ 120,244	\$ 23,736
State grant	55,000	55,000	68,042	13,042
Other			23,546	23,546
Total intergovernmental revenues	<u>151,508</u>	<u>151,508</u>	<u>211,832</u>	<u>60,324</u>
<u>Miscellaneous Revenues</u>				
Contributions	28,774	28,774	30,639	1,865
Interest earnings	325	325	14	(311)
Rent	18,000	18,000	16,800	(1,200)
Miscellaneous revenues	10,030	18,030	18,086	56
Total miscellaneous revenues	<u>57,129</u>	<u>65,129</u>	<u>65,539</u>	<u>410</u>
Total revenues	<u>208,637</u>	<u>216,637</u>	<u>277,371</u>	<u>60,734</u>
<u>Expenditures</u>				
<u>Current</u>				
<u>Senior Citizens Center</u>				
Salaries and wages	103,336	103,336	122,722	19,386
Payroll taxes	8,670	8,670	9,444	774
Health insurance	10,795	10,795	12,282	1,487
Retirement	1,500	1,500	1,175	(325)
Professional services	10,400	10,400	8,143	(2,257)
Repairs and maintenance	4,100	12,100	11,041	(1,059)
Utilities	16,100	16,100	11,168	(4,932)
Out-of-town expense	13,700	13,700	23,518	9,818
Office supplies and materials	10	10		(10)
Operating supplies	10,100	10,100	24,085	13,985
Gas and oil	8,500	8,500	9,858	1,358
Insurance	19,800	19,800	17,326	(2,474)
Contractual services	10,100	10,100	10,025	(75)
Other improvements			10,193	10,193
Memberships, registration fees, etc.	2,600	2,600	2,352	(248)
Advertising and public relations	150	150	99	(51)
Other charges	1,590	1,590	434	(1,156)
Food	1,000	1,000	1,296	296
Grants and contributions	-	15,000		(15,000)
Total expenditures	<u>222,451</u>	<u>245,451</u>	<u>275,161</u>	<u>29,710</u>
Revenues over (under) expenditures	<u>(13,814)</u>	<u>(28,814)</u>	<u>2,210</u>	<u>31,024</u>
<u>Other Financing Sources (Uses)</u>				
Transfer from general fund	27,000	42,000	42,000	
Transfer to other funds	(4,260)	(4,260)		4,260
Total other financing sources (uses)	<u>22,740</u>	<u>37,740</u>	<u>42,000</u>	<u>4,260</u>
Net change in fund balance	8,926	8,926	44,210	35,284
Fund balance - July 1, 2022	<u>55,909</u>	<u>55,909</u>	<u>55,909</u>	
Fund balance - June 30, 2023	<u>\$ 64,835</u>	<u>\$ 64,835</u>	<u>\$ 100,119</u>	<u>\$ 35,284</u>

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

TOWN OF HALLS, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - SANITATION FUND
For the Fiscal Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Over (Under)
<u>Revenues</u>				
<u>Miscellaneous Revenues</u>				
Sanitation service	\$ 450,000	\$ 450,000	\$ 478,379	\$ 28,379
Forfeited discounts and penalties	7,500	7,500	8,653	1,153
Bad debt expense	(2,000)	(2,000)	123	2,123
Interest income	1,500	1,500	2,018	518
Total revenues	<u>457,000</u>	<u>457,000</u>	<u>489,173</u>	<u>32,173</u>
 <u>Expenditures</u>				
<u>Sanitation Expenditures</u>				
Wages	104,599	104,599	110,319	5,720
Payroll taxes	7,200	7,200	9,543	2,343
Health insurance	12,950	12,950	10,482	(2,468)
Retirement	1,843	1,843	3,489	1,646
Repair and maintenance	32,000	32,000	77,315	45,315
Contractual services	1,200	1,200	1,760	560
Operating supplies	10,000	10,000	5,252	(4,748)
Landfill fees	80,000	80,000	110,379	30,379
Gas and oil	25,000	25,000	27,644	2,644
Clothing and uniforms	1,500	1,500	809	(691)
Professional services	19,300	19,300	20,230	930
Insurance	17,200	17,200	17,955	755
Rent	2,000	2,000	830	(1,170)
Office machinery and equipment	107,242	408,469	271,518	(136,951)
Other charges	7,620	7,620	3,363	(4,257)
Total expenditures	<u>429,654</u>	<u>730,881</u>	<u>670,888</u>	<u>(59,993)</u>
 <u>Debt Service</u>				
Retirement of bonds and notes			24,000	24,000
Interest on bonds and notes			2,544	2,544
Total debt service			<u>26,544</u>	<u>26,544</u>
 Total sanitation expenditures	 <u>429,654</u>	 <u>730,881</u>	 <u>697,432</u>	 <u>(33,449)</u>
Revenues over (under) expenditures	27,346	(273,881)	(208,259)	65,622
 <u>Other Financing Sources (Uses)</u>				
Proceeds of bonds and notes		301,227	270,000	(31,227)
Sale of equipment			31,232	31,232
Total other financing sources (uses)		<u>301,227</u>	<u>301,232</u>	<u>5</u>
Net change in fund balance	27,346	27,346	92,973	65,627
Fund balance - July 1, 2022	<u>785,785</u>	<u>785,785</u>	<u>785,785</u>	
Fund balance - June 30, 2023	<u>\$ 813,131</u>	<u>\$ 813,131</u>	<u>\$ 878,758</u>	<u>\$ 65,627</u>

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

TOWN OF HALLS, TENNESSEE
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2023

	Natural Gas	Waterworks	Sewer	Total
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash and cash equivalents	\$ 1,803,332	\$ 1,310,253	\$ 815,333	\$ 3,928,918
Accounts receivable	25,033	103,762	27,521	156,316
Grants receivable		12,740		12,740
Due from other funds		196,411	54,486	250,897
Other current assets			3,029	3,029
Inventories	28,823	78,551	19,191	126,565
Total current assets	1,857,188	1,701,717	919,560	4,478,465
 <u>Capital Assets</u>				
Land and buildings	246,058	1,300		247,358
Construction in progress		49,000		49,000
Plant in service	821,037	8,389,422	3,414,680	12,625,139
Equipment	861,511	734,495	398,547	1,994,553
Total	1,928,606	9,174,217	3,813,227	14,916,050
Less: Accumulated depreciation	(1,546,802)	(6,354,504)	(2,728,652)	(10,629,958)
Net capital assets	381,804	2,819,713	1,084,575	4,286,092
 <u>Other Assets</u>				
Cash and cash equivalents - restricted		1,787,780	419,456	2,207,236
Net pension asset - restricted	11,372	35,250	1,880	48,502
Total other assets	11,372	1,823,030	421,336	2,255,738
 Total assets	2,250,364	6,344,460	2,425,471	11,020,295
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflows related to pension	22,449	30,142	6,292	58,883
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,272,813	\$ 6,374,602	\$ 2,431,763	\$ 11,079,178

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

TOWN OF HALLS, TENNESSEE
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2023

	Natural Gas	Waterworks	Sewer	Total
<u>LIABILITIES</u>				
<u>Current Liabilities</u>				
Accounts payable	\$ 26,054	\$ 7,809	\$	\$ 33,863
Due to other funds	255,585	11,086	106	266,777
Total current liabilities	<u>281,639</u>	<u>18,895</u>	<u>106</u>	<u>300,640</u>
<u>Liabilities Payable from Restricted Assets</u>				
Customer deposits	56,460	14,781		71,241
Accrued interest payable		7,040		7,040
Long-term debt - current portion		140,940		140,940
Total liabilities payable from restricted assets	<u>56,460</u>	<u>162,761</u>		<u>219,221</u>
<u>Other Liabilities</u>				
Long-term debt - less current portion		1,161,408		1,161,408
Total liabilities	<u>338,099</u>	<u>1,343,064</u>	<u>106</u>	<u>1,681,269</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred inflows related to pension	(543)	5,556	1,588	6,601
	<u>(543)</u>	<u>5,556</u>	<u>1,588</u>	<u>6,601</u>
<u>Net Position</u>				
Net investment in capital assets	381,804	1,517,365	1,084,575	2,983,744
Restricted for net pension asset	11,372	35,250	1,880	48,502
Restricted for debt service		1,625,019	419,456	2,044,475
Unrestricted	1,542,081	1,848,348	924,158	4,314,587
Total net position	<u>1,935,257</u>	<u>5,025,982</u>	<u>2,430,069</u>	<u>9,391,308</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 2,272,813</u>	<u>\$ 6,374,602</u>	<u>\$ 2,431,763</u>	<u>\$ 11,079,178</u>

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

TOWN OF HALLS, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2023

	Natural Gas	Waterworks	Sewer	Total
<u>Operating Revenues</u>				
Sale of gas, water, and sewer services	\$ 1,031,736	\$ 944,144	\$ 299,138	\$ 2,275,018
Late payment penalties	8,962	14,564	5,496	29,022
Installation, cut-on, and cut-off fees	100	14,096	2,775	16,971
Total operating revenues	<u>1,040,798</u>	<u>972,804</u>	<u>307,409</u>	<u>2,321,011</u>
<u>Operating Expenses</u>				
Gas purchases	<u>555,334</u>			<u>555,334</u>
<u>Utility Plant Operation Expenses</u>				
Salaries and wages	205,836	268,563	86,308	560,707
Retirement	(3,227)	(4,030)	(2,450)	(9,707)
Utilities and telephone	29,280	65,474	32,037	126,791
Operating supplies	50,328	110,848	28,929	190,105
Gas, oil, and grease	8,345	16,070	5,813	30,228
Repair and maintenance supplies and expenses	28,730	36,947	41,308	106,985
Equipment expense	17,621	54,489	4,912	77,022
Insurance	16,435	41,187	21,751	79,373
Contractual services	12,174	27,490	7,616	47,280
Total utility plant operation expenses	<u>365,522</u>	<u>617,038</u>	<u>226,224</u>	<u>1,208,784</u>
<u>Administrative and General Expenses</u>				
Employee insurance	32,980	43,729	9,727	86,436
Payroll taxes	15,288	19,639	6,396	41,323
Data processing services	9,753	11,643	9,753	31,149
Professional services	13,016	12,835	9,595	35,446
Office supplies and expenses	1,498	1,616	178	3,292
Membership, dues, and registrations	11,445	10,988	548	22,981
Out of town expense	2,837	773	103	3,713
Sundry expenses	4,433	13,464	577	18,474
Clothing and uniforms	2,363	4,992	959	8,314
Total administrative and general expenses	<u>93,613</u>	<u>119,679</u>	<u>37,836</u>	<u>251,128</u>

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

TOWN OF HALLS, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2023

	Natural Gas	Waterworks	Sewer	Total
<u>Operating Expenses (Continued)</u>				
Depreciation expense	\$ 54,717	\$ 204,097	\$ 59,072	\$ 317,886
Total operating expenses	<u>1,069,186</u>	<u>940,814</u>	<u>323,132</u>	<u>2,333,132</u>
Operating income (loss)	<u>(28,388)</u>	<u>31,990</u>	<u>(15,723)</u>	<u>(12,121)</u>
<u>Non-Operating Revenues (Expenses)</u>				
Interest earnings	5,045	10,477	3,334	18,856
Interest and fees on bonds and notes		(34,086)		(34,086)
Contributions	4,325	11,400	1,500	17,225
Rent		51,734		51,734
Miscellaneous	<u>13,493</u>	<u>468</u>		<u>13,961</u>
Total non-operating revenues (expenses)	<u>22,863</u>	<u>39,993</u>	<u>4,834</u>	<u>67,690</u>
Capital contributions - grants		<u>44,590</u>		<u>44,590</u>
Change in net position	(5,525)	116,573	(10,889)	100,159
Net position - July 1, 2022	<u>1,940,782</u>	<u>4,909,409</u>	<u>2,440,958</u>	<u>9,291,149</u>
Net position - June 30, 2023	<u>\$ 1,935,257</u>	<u>\$ 5,025,982</u>	<u>\$ 2,430,069</u>	<u>\$ 9,391,308</u>

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

TOWN OF HALLS, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2023

	Natural Gas	Waterworks	Sewer	Total
<u>Cash Flow From Operating Activities</u>				
Cash received from customers	\$ 1,064,849	\$ 1,032,379	\$ 311,081	\$ 2,408,309
Cash payments to suppliers	(803,826)	(490,514)	(185,852)	(1,480,192)
Cash payments to employees for services	(205,836)	(268,563)	(86,308)	(560,707)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>55,187</u>	<u>273,302</u>	<u>38,921</u>	<u>367,410</u>
<u>Cash Flows From Capital and Related Financing Activities</u>				
Additions to capital assets		(49,000)		(49,000)
Payment on debt principal		(140,030)		(140,030)
Interest on debt		(34,086)		(34,086)
Grant proceeds		31,850		31,850
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		<u>(191,266)</u>		<u>(191,266)</u>
<u>Cash Flows From Investing Activities</u>				
Interest income	5,045	10,477	3,334	18,856
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	60,232	92,513	42,255	195,000
Cash and Cash Equivalents, July 1, 2022	<u>1,743,100</u>	<u>3,005,520</u>	<u>1,192,534</u>	<u>5,941,154</u>
Cash and Cash Equivalents, June 30, 2023	<u>\$ 1,803,332</u>	<u>\$ 3,098,033</u>	<u>\$ 1,234,789</u>	<u>\$ 6,136,154</u>
<u>Reconciliation of Cash Accounts</u>				
Unrestricted cash and cash equivalents	\$ 1,803,332	\$ 1,310,253	\$ 815,333	\$ 3,928,918
Restricted cash and cash equivalents		1,787,780	419,456	2,207,236
Total cash and cash equivalents	<u>\$ 1,803,332</u>	<u>\$ 3,098,033</u>	<u>\$ 1,234,789</u>	<u>\$ 6,136,154</u>

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

TOWN OF HALLS, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2023

Reconciliation of operating income
to net cash provided (used)
by operating activities:

	Natural Gas	Waterworks	Sewer	Total
Operating income (loss)	\$ (28,388)	\$ 31,990	\$ (15,723)	\$ (12,121)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	54,717	204,097	59,072	317,886
Miscellaneous revenues	13,493	468		13,961
Contributions	4,325	11,400	1,500	17,225
Rent		51,734		51,734
Changes in current and deferred items:				
Accounts receivable	8,757	2,172	2,172	13,101
Due from other funds		(22,942)	(2,371)	(25,313)
Net pension assets	9,364	8,478	3,503	21,345
Deferred outflows related to pension	(10,108)	(11,101)	(4,363)	(25,572)
Accounts payable	(1,932)	(1,345)	(884)	(4,161)
Due to other funds	11,571	4,580	(1,422)	14,729
Customer deposits	237	(30)		207
Deferred inflows related to pension	(6,849)	(6,199)	(2,563)	(15,611)
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 \$ 55,187	 \$ 273,302	 \$ 38,921	 \$ 367,410

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

TOWN OF HALLS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Halls, Tennessee, operates under a mayor-aldermen form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, public improvements, planning and zoning and general administrative services.

The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Town are described below.

A. Reporting Entity

The Town includes, for financial reporting purposes, all funds, agencies, boards, commissions and authorities that are controlled by or dependent on the Town. Control by or dependence on the Town has been determined on the basis of budget adoption, appointment of members, taxing authority, guarantee of debt, general obligations of the Town, ownership of assets, or the Town's obligation to fund any deficits that may occur. Based on these criteria, there were no component units applicable for inclusion in the financial statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental 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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) 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 instead as general revenues.

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

TOWN OF HALLS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flow. 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 financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded 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.

In general, taxes, licenses, federal and state grants, 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

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

The Senior Center Fund which accounts for all transactions and activities regarding the Senior Citizen programs.

The Sanitation Fund which accounts for the solid waste transactions.

The Town reports the following major proprietary funds:

The natural gas fund accounts for the activities of the government's gas distribution operations.

The waterworks fund accounts for the activities associated with the water distribution system.

The sewer fund accounts for the activities associated with the Town's collection, transportation, treatment and disposal of wastewater.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's utility divisions and various other functions of government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

TOWN OF HALLS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary 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 all of the Town's enterprise funds are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the systems. The utility funds recognize income based on cycle billings. This results in recognizing as income the energy usage through each respective cycle each month, which may not coincide with the last day of the fiscal year. Non-recognition of income from energy sales as a result of cycle billing is a common industry practice. Operating expenses for the proprietary 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 nonoperating revenues and expenses. The cost of purchased water is accrued based on the final meter reading of the fiscal year. This may result in unrecognized expenses for the period between the final billing and the end of the fiscal year. This practice is consistent with industry guidelines and does not differ significantly from generally accepted accounting principles.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Positions or Fund Balances

Deposits and Investments

The Town's cash and cash equivalents are considered to be all deposits with financial institutions, including restricted deposits, and highly liquid investments with original maturities of three months or less.

State statutes authorize the Town to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations guaranteed by the U.S. Government or its agencies, repurchase agreements, and the state's investment pool.

The Town had no investments at June 30, 2023.

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 to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

No provision for uncollectible customer accounts has been recorded in the Proprietary Funds based on management's estimation that such an allowance would be immaterial. Uncollectible accounts are written off when deemed uncollectible.

Property taxes are levied on October 1 of each year and attach as an enforceable lien on property as of January 1, and are mailed to property owners on the levy date. The taxes are due and payable from the following October through February in the year succeeding the tax levy. An unperfected lien

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attaches on property as of March 1 for unpaid taxes from the prior year. Taxes not collected by April 1st of the 2nd year they are due are submitted to the Chancery Court for collection. Tax liens become perfected at the time the court enters judgment.

The Town's property tax rate is \$1.64. The Town bills and collects its own property taxes, and tax revenues are recognized when levied to the extent that they result in current receivables.

Inventories and Prepaid Items

The Town takes a physical count of inventory at fiscal year-end. Inventories of the proprietary funds are recorded initially in inventory accounts and charged as expenditures when used. Inventories are valued at cost using the moving average method.

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, including property, plant, vehicles, equipment, infrastructure assets (e.g., roads, bridges, sidewalks and similar items) and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated by the straight line method over the following useful lives:

Buildings	30 - 65 years
Vehicles and equipment	5 - 30 years
Furniture and fixtures	5 - 10 years
Infrastructure	40 years

Deferred Outflows 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has one item reported in this category: deferred outflows of resources related to pension.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee

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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 Plan. Investments are reported at fair value.

Compensated Absences

Employees of the Town are entitled to paid vacation and paid sick days depending on job classification, length of service and other factors. Accumulated sick leave will not be paid at termination of employment. No accrual has been recorded for compensated absences because it is not considered material.

Long-term Obligations

In the government-wide financial statements and proprietary 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 proprietary fund type statements of net position. Bond issuance costs are expensed in the year incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows of Resources

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 City has two items that qualify for reporting in this category, which are unavailable revenues – property taxes and deferred inflows related to pension in the general fund. See Note 5A for additional information related to this item.

Fund Balance

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

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 items 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.

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Committed fund balance

This classification includes amounts that can only be used for the specific purposes determined by a formal action of the Town's highest level of decision-making authority, the Board of Alderman of the Town of Halls. Commitments may be changed or lifted only by the Town taking the same formal action that imposed the constraint originally (for example: resolution).

Assigned fund balance

This classification includes amounts intended to be used by the Town for specific purposes that are neither restricted nor committed. The Board and its designees (of which there are none) 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.

Net Position Flow Assumption

Sometimes the Town 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 financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Impact of Recently Issued Accounting Pronouncements

In May of 2020, the Governmental Accounting Standards Board issued GASB Statement No. 96 related to Subscription-Based Information Technology Arrangements. This Statement improves accounting and financial reporting by state and local governments for SBITAs and is effective for fiscal years beginning after June 15, 2022. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain SBITA assets and liabilities for SBITA that previously were recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for SBITA accounting based on the foundational principle that SBITA are financings of the right to use an underlying subscription based asset. This implementation resulted in no impact on the current year or prior year financial statements.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position

The governmental funds balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "capital assets used in

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governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of the \$4,990,827 difference are as follows:

Governmental funds capital assets	\$ 9,865,047
Less: accumulated depreciation	<u>4,874,220</u>
 Net adjustment to increase fund balance – total governmental funds to arrive at net position – governmental activities	 <u><u>\$ 4,990,827</u></u>

B. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balance – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “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. This is the amount by which capital outlays in the current period exceeded depreciation.” The details of this \$5,457 difference are as follows:

Capital outlay	\$ 330,498
Depreciation expense	<u>325,041</u>
Net adjustment to increase net changes in fund balance – total governmental funds to arrive at changes in net position of governmental activities	 <u><u>\$ 5,457</u></u>

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

At the beginning of each fiscal year, the Mayor and Board of Alderman adopt a legal appropriated budget for each fund to be used as a guide for operating during the year. Except for the Proprietary Fund, the budget amounts, as amended, are presented herein and compared to actual operations. The Board used the following procedures in establishing the budgetary data reflected in the financial statements:

- 1) Formal budgetary integration is employed as a management control device during the year for all funds.
- 2) Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles.
- 3) The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

During the year ended June 30, 2023, expenditures exceeded appropriations in the general fund by \$11,840 and the senior center fund by \$29,710.

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NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS

Custodial Credit Risk

The Town’s policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be insured by federal depository insurance or the Tennessee Bank Collateral Pool, secured by collateral held by the Town’s agent in the Town’s name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the Town to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2023, all bank deposits were fully collateralized or insured.

NOTE 5 – DETAILED NOTES ON ALL FUNDS

A. Receivables

Receivables as of June 30, 2023, for the Town’s individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Senior Center	Sanitation	Natural Gas	Waterworks	Sewer	Nonmajor Governmental Funds	Total
Receivables:								
Property Taxes	\$ 544,132	\$	\$	\$	\$	\$	\$	\$ 544,132
Taxes	97,089						13,689	110,778
Accounts	2,002	-	42,736	25,033	103,762	27,521		201,054
Grants	7,530	60,571			12,740			80,841
	650,753	60,571	42,736	25,033	116,502	27,521	13,689	936,805
Uncollectible	(149)							(149)
Net receivables	<u>\$ 650,604</u>	<u>\$ 60,571</u>	<u>\$ 42,736</u>	<u>\$ 25,033</u>	<u>\$ 116,502</u>	<u>\$ 27,521</u>	<u>\$ 13,689</u>	<u>\$ 936,656</u>

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

Property taxes receivable - 2023 property tax assessment	Unavailable \$ 508,154
Property taxes receivable - not received within 60 days	35,979
Total deferred inflows for governmental funds	<u>\$ 544,133</u>

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Unearned revenues were recorded in the amount of \$507,239 due to unspent grants.

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 680,605		\$	\$ 680,605
Construction in progress	195,462	7,529	21,986	181,005
Total capital assets, not being depreciated	<u>876,067</u>	<u>7,529</u>	<u>21,986</u>	<u>861,610</u>
Capital assets, being depreciated				
General infrastructure	3,336,149			3,336,149
Buildings	2,667,588	28,875		2,696,463
Vehicles and equipment	2,729,745	316,080	75,000	2,970,825
Total capital assets, being depreciated	<u>8,733,482</u>	<u>344,955</u>	<u>75,000</u>	<u>9,003,437</u>
Less accumulated depreciation for:				
General infrastructure	1,766,613	121,054		1,887,667
Buildings	1,071,210	60,851		1,132,061
Vehicles and equipment	1,786,356	143,136	75,000	1,854,492
Total accumulated depreciation	<u>4,624,179</u>	<u>325,041</u>	<u>75,000</u>	<u>4,874,220</u>
Total capital assets being depreciated, net	<u>4,109,303</u>	<u>19,914</u>		<u>4,129,217</u>
Governmental activities capital assets, net	<u>\$ 4,985,370</u>	<u>\$ 27,443</u>	<u>\$ 21,986</u>	<u>\$ 4,990,827</u>

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	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 36,300	\$	\$	\$ 36,300
Construction in progress		49,000		49,000
Total capital assets, not being depreciated	36,300	49,000		85,300
Capital assets, being depreciated				
Building	224,178			224,178
Equipment	1,982,192			1,982,192
Plant in operation	12,624,379			12,624,379
Total capital assets, being depreciated	14,830,749			14,830,749
Less accumulated depreciation for:				
Building	157,091	3,426		160,517
Equipment	1,428,013	99,693		1,527,706
Plant in operation	8,726,967	214,767		8,941,734
Total accumulated depreciation	10,312,071	317,886		10,629,957
Total capital assets, being depreciated, net	4,518,678	(317,886)		4,200,792
Business-type activities capital assets, net	\$ 4,554,978	\$ (268,886)	\$ --	\$ 4,286,092

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General	\$ 132,445
Public safety	46,278
Public works	94,906
Airport	5,894
Culture and recreation	45,518
Total depreciation expense – governmental activities	\$ 325,041
Business-type activities:	
Natural Gas	\$ 54,717
Waterworks	204,097
Sewer	59,072
Total depreciation expense – business-type activities	\$ 317,886

C. Interfund Receivables, Payables, and Transfers

During the year ending June 30, 2023, the general fund transferred \$42,000 to the senior citizens center fund and \$20,700 to the library fund. These transfers were used for budgetary purposes and eliminated for the government-wide statements.

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<u>Transfer From</u>	Transfer To		
	Library Fund	Senior Citizens Center Fund	Total
General Fund	\$20,700	\$ 42,000	\$ 62,700
Eliminated-above funds (budget basis) that general fund for fund statements			(62,700)
			\$ -

Interfund receivables are due to timing differences in the billing and payroll processes. These amounts are expected to be reimbursed in the next year.

Receivable Fund	Payable Fund	Amount
General	Library	\$ 310
General	Sewer	106
General	Natural Gas	525
State Street Aid	General	16,019
Sanitation	General	108,892
Sanitation	Waterworks	8,715
Sanitation	Natural Gas	35,002
Community Center	General	75
Senior Center	General	91
Sewer	Waterworks	2,371
Sewer	Natural Gas	52,115
Waterworks	General	28,468
Waterworks	Natural Gas	167,943
		420,632
Elimination		(404,752)
Total		\$ 15,880

D. Long-Term Debt

Governmental activity long-term debt is comprised of an Activity Center General Obligation Bond at 4.00% that matures on May 24, 2045. The balance as of June 30, 2023 is \$145,185.

During the year ended June 30, 2014 the Town of Halls issued refunding bonds in the amount of \$1,900,000 to pay off existing debt of the General Fund (\$184,333) and the Water and Sewer Fund (\$1,715,498). These bonds pay interest at the rate of 2% and mature on June 1, 2032. The bonds pay interest and principal annually in June. The bonds are secured by a pledge of the income and revenues derived from the operation of the waterworks system and the full faith, credit, and resources of the Town of Halls. The balance as of June 30, 2023 is \$215,000 in governmental activities and \$840,000 in the business-type activities.

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Governmental activity long-term debt is comprised of a general obligation bond from the United States Department of Agriculture in the amount of \$125,000. The note bears interest at the rate of 3.50%, requires monthly principal and interest payments of \$485 and matures April 2058. The balance as of June 30, 2023 is \$116,791.

During the year ended June 30, 2019 the Town of Halls received direct borrowings from a General Obligation Capital Outlay Note, Series 2019 for the acquisition of a truck with dump bed and mower for the general government and SCADA equipment for the water treatment plant in the amount of \$300,000. The note was split between governmental activities for \$81,000 (27%) and business-type activities for \$219,000 (73%). The note pays interest and principal annually in February and interest only in August beginning in February 2020. The note bears interest at the rate of 4.38%. The note is secured by the full faith, credit, and resources of the Town of Halls. The balance as of June 30, 2023 is \$44,010 in the governmental activities and \$118,990 in the business-type activities.

Governmental activity long-term debt is comprised of direct borrowings received from an Equipment Acquisition Capital Outlay Note, Series 2019 for the acquisition of a street sweeper in the amount of \$237,500. The note was split between General Fund and Sanitation Fund. The note pays interest only payments annually beginning in February 2020 and interest and principal annually beginning in August 2020. The note bears interest at the rate of 4.25%. The note is secured by the full faith, credit, and resources of the Town of Halls. The balance as of June 30, 2023 is \$101,000.

Business-type activity long-term debt is comprised of direct borrowings received from a State of Tennessee Revolving loan in the amount of \$591,132, of which \$27,018 was forgiven. The note bears interest at the rate of .064%, requires monthly payments and matures April 2035. The balance as of June 30, 2023 is \$343,358.

Governmental activity long-term debt is comprised of direct borrowings received from a General Obligation Capital Outlay Note, Series 2021 in the amount of \$500,000. The note pays interest only payments annually beginning in April of 2022 and interest and principal annually beginning in October 2022. The note bears interest at the rate of 2.25%. The note is secured by the full faith, credit, and resources of the Town of Halls. The balance as of June 30, 2023 is \$454,900.

Governmental activity long-term debt is comprised of direct borrowings received from a Sanitation Truck Capital Outlay Note, Series 2023 in the amount of \$270,000. The note pays interest only payments annually beginning in August of 2023 and interest and principal annually beginning in February 2024. The note bears interest at the rate of 4.58%. The note is secured by the full faith, credit, and resources of the Town of Halls. The balance as of June 30, 2023 is \$270,000.

Governmental activity long-term debt is comprised of direct borrowings received from a LED Street Lighting Capital Outlay Note, Series 2023 in the amount of \$376,000. The note pays interest only payments annually beginning in August of 2023 and interest and principal annually beginning in February 2024. The note bears interest at the rate of 4.69%. The note is secured by the full faith, credit, and resources of the Town of Halls. The balance as of June 30, 2023 is \$376,000.

The following is a summary of total future debt service requirements for the Town:

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Year ending June 30,	Governmental Activities			
	Notes From Direct Borrowings		Bonds	
	Principal	Interest	Principal	Interest
2024	\$ 178,460	\$ 42,924	\$ 25,983	\$ 15,955
2025	187,000	37,831	26,215	15,273
2026	139,640	31,672	26,455	14,543
2027	144,910	26,114	26,704	13,804
2028	138,500	20,876	31,964	12,994
2029-2033	379,400	52,087	149,081	48,969
2034-2038	78,000	5,534	47,258	31,902
2039-2043			57,153	22,007
2044-2048			38,403	11,251
2049-2053			22,624	6,476
2054-2058			25,136	2,163
Total	<u>\$ 1,245,910</u>	<u>\$ 217,038</u>	<u>\$ 476,976</u>	<u>\$ 195,337</u>

Year ending June 30,	Business-type Activities			
	Notes From Direct Borrowings		Bonds	
	Principal	Interest	Principal	Interest
2023	\$ 55,940	\$ 8,968	\$ 85,000	\$ 23,976
2024	57,592	7,606	85,000	22,062
2025	59,232	6,232	90,000	19,980
2026	60,142	4,800	90,000	17,776
2027	28,932	1,404	90,000	15,300
2028-2032	147,504	4,176	400,000	33,640
2033-2037	53,006	271		
2038-2042				
2043-2047				
2048-2052				
2053-2057				
Total	<u>\$ 462,348</u>	<u>\$ 33,457</u>	<u>\$ 840,000</u>	<u>\$ 132,734</u>

All significant debt covenants and restrictions as set forth in the bond agreements were complied with. There were no unused lines of credit in the current year. The outstanding notes from direct borrowings contain provisions that in the event of default, the lender can exercise one or more of the following options: (1) make all or any of the outstanding notes payable balances immediately due and accrued interest at highest post-maturity interest rate, (2) take possession of the collateralized properties, (3) gain access to other assets of the borrower to protect the lender's interest, and (4) use any remedy allowed by state or federal law.

Long-term liability activity for the year ended June 30, 2023, was as follows:

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	Beginning Balance	Increases	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable	\$ 502,736	\$	\$ 25,760	\$ 476,976	\$ 25,983
Notes from direct borrowings:					
Capital Outlay Notes	703,000	646,000	103,090	1,245,910	178,460
Totals	<u>\$ 1,205,736</u>	<u>\$ 646,000</u>	<u>\$ 128,850</u>	<u>\$ 1,722,886</u>	<u>\$ 204,443</u>
Business-type Activities:					
Bonds payable	\$ 925,000	\$	\$ 85,000	\$ 840,000	\$ 85,000
Notes from direct borrowings:					
Capital Outlay Notes	146,000		27,010	118,990	27,740
State Revolving Fund	371,378		28,020	343,358	28,200
Totals	<u>\$ 1,442,378</u>	<u>\$</u>	<u>\$ 140,030</u>	<u>\$ 1,302,348</u>	<u>\$ 140,940</u>

NOTE 6 – OTHER INFORMATION

A. Risk Management

The Town joined the Tennessee Municipal League, which is a public entity risk pool established to provide insurance coverage to local governments in Tennessee. The Board pays an annual premium to TML for general liability, law enforcement liability, errors or omissions liability, automobile liability and auto physical damage, and property insurance. The TML reinsures through commercial insurance companies for claims in excess of a specified amount for each insured event and can assess members additional amounts when necessary. The Town carries commercial coverage for all other risks of loss. Settled claims from these losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Defined Contribution Retirement Plan

The Town has adopted a Section 457(b) defined contribution retirement plan that is administered by VALIC Financial Advisors, Inc. All city employees who have reached one year of service are eligible to participate. The employees participate in the plan by making voluntary salary reduction contributions and the plan does not specify a maximum or minimum age requirement for eligibility. The contributions that are made by the participants are credited to a Plan account and the accounts of the participants are held under a group annuity contract for the exclusive benefit of the participants and beneficiaries. The participant accounts are valued on a daily basis and the participants have the opportunity to direct their investments into a number of investment options. During the year ended June 30, 2023, only employees contributed to this plan.

C. Defined Benefit Pension Plan

General Information about the Public Employee Retirement Plan

Plan description. Employees of the Town of Halls are provided a defined benefit pension plan (Hybrid without cost controls) through the Public Employee Retirement Plan, an agent multiple-employer

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June 30, 2023

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 <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investments-Policies>.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive years average compensation and the member's service credit. Reduced benefits for early retirement are available at age 60 and vested or pursuant to the rule of 80 in which the member's age and service credit total 80. 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 nonservice-related disability eligibility. The service related and nonservice-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.

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

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

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	19
Active employees	29
	48

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Town of Halls 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 Town of Halls were \$27,353 based on a rate of 2.21 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Town of Halls state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Town of Halls' net pension liability (asset) was measured as of June 30, 2022, and the total pension

TOWN OF HALLS, TENNESSEE
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June 30, 2023

liability (asset) 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
Cost-of-living adjustment	2.125 percent

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

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 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%	1%
		<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 Town of Halls will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of

TOWN OF HALLS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
	(a)	(b)	(a) – (b)
Balance at 6/30/21	<u>\$ 216,955</u>	<u>\$ 352,869</u>	<u>\$ (135,914)</u>
Changes for the year:			
Service cost	66,108	-	66,105
Interest	19,107	-	19,107
Differences between expected and actual experience	47,679	-	47,679
Contributions-employer		27,770	(27,770)
Contributions-employees	-	62,829	(62,829)
Net investment income	-	(15,174)	15,174
Administrative expense	<u>-</u>	<u>(3,008)</u>	<u>3,008</u>
Net changes	<u>132,891</u>	<u>72,417</u>	<u>60,474</u>
Balance at 6/30/22	<u>\$ 349,846</u>	<u>\$ 425,286</u>	<u>\$ (75,440)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the Town of Halls 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%)
Town of Halls' net pension liability (asset)	<u>\$ (12,651)</u>	<u>\$ (75,440)</u>	<u>\$ (125,772)</u>

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

TOWN OF HALLS, TENNESSEE
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Pension expense (negative pension expense). For the year ended June 30, 2023, Town of Halls recognized pension expense (negative pension expense) of \$8,704.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 71,602	\$ 9,088
Net difference between projected and actual earnings on pension plan investments	6,750	-
Changes in assumptions	9,211	-
Contributions subsequent to the measurement date of June 30, 2022	27,353	<i>(Not applicable)</i>
Total	\$ 114,916	\$ 9,088

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

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

Year Ending June 30:	
2024	\$10,181
2025	10,230
2025	9,360
2027	18,859
2028	10,469
Thereafter	19,386

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

Payable to the Pension Plan

At June 30, 2023, Town of Halls reported a payable of \$9,693 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF HALLS, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF THE TCRS
Last Fiscal Years Ending June 30,

	2022	2021	2020	2019	2018
Total Pension Liability					
Service cost	\$ 66,105	\$ 52,178	\$ 42,357	\$ 34,436	\$ -
Interest	19,107	14,721	9,460	3,570	-
Differences between actual and expected experience	47,679	(11,360)	12,636	36,060	-
Changes in benefit terms	-	-	-	-	14,808
Change of assumption	-	11,513	-	-	-
Other changes	-	-	-	-	-
Benefit payments	-	(1,932)	(1,492)	-	-
Net change in total pension liability	132,891	65,120	62,961	74,066	14,808
Total pension liability - beginning	216,955	151,835	88,874	14,808	-
Total pension liability - ending (a)	349,846	216,955	151,835	88,874	14,808
Plan fiduciary net position					
Contributions - employer	27,770	20,093	16,645	13,871	83,753
Contributions - employee	62,829	45,577	38,944	48,643	6,880
Net investment income	(15,174)	66,064	9,420	9,251	3,739
Benefit payments	-	(1,932)	(1,492)	-	-
Other changes	-	-	-	-	-
Administrative expense	(3,008)	(2,324)	(1,998)	(1,718)	(547)
Net change in fiduciary position	72,417	127,478	61,519	70,047	93,825
Plan fiduciary net position - beginning	352,869	225,391	163,872	93,825	-
Plan fiduciary net position - ending (b)	425,286	352,869	225,391	163,872	93,825
Net pension liability (asset) - ending (a) - (b)	\$ (75,440)	\$ (135,914)	\$ (73,556)	\$ (74,998)	\$ (79,017)
Plan fiduciary net position as a percentage of the total pension liability	121.56%	162.65%	148.44%	184.39%	633.61%
Covered employee payroll	\$ 1,256,579	909,193	753,148	627,651	137,609
Net position liability (asset) as a percentage of covered employee payroll	-6.00%	-14.95%	-9.77%	-11.95%	-57.42%

Notes to Schedule:

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

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

TOWN OF HALLS, TENNESSEE
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE
PUBLIC EMPLOYEE PENSION PLAN OF THE TCRS*
Last Fiscal Years Ending June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 14,109	\$ 16,461	\$ 11,365	\$ 8,586	\$ 13,871	\$ 83,753
Contributions in relation to the actuarially determined contribution	<u>27,353</u>	<u>27,770</u>	<u>20,093</u>	<u>16,645</u>	<u>13,871</u>	<u>83,753</u>
Contribution deficiency (excess)	<u>(13,244)</u>	<u>(11,309)</u>	<u>(8,728)</u>	<u>(8,059)</u>	<u>-</u>	<u>-</u>
Covered employee payroll	1,237,672	1,256,579	909,193	753,148	627,651	137,609
Contributions as a percentage of covered employee payroll	2.21%	2.21%	2.21%	2.21%	2.21%	60.86%

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

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 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
Cost of Living Adjustments	2.125 percent

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 decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent.

SUPPLEMENTARY INFORMATION

TOWN OF HALLS, TENNESSEE
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023

	State Street Aid Fund	Community Center	Library Fund	Police Narcotics Fund	Combined Totals
<u>ASSETS</u>					
<u>Current Assets</u>					
Cash in bank	\$ 31,641	\$ 52,079	\$ 58,750	\$ 7,785	\$ 150,255
Accounts receivable	13,689				13,689
Due from other funds	16,019	75			16,094
TOTAL ASSETS	<u>\$ 61,349</u>	<u>\$ 52,154</u>	<u>\$ 58,750</u>	<u>\$ 7,785</u>	<u>\$ 180,038</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>Liabilities</u>					
Accounts payable	\$ 3,404	\$ 249	\$ 702	\$	\$ 4,355
Customer deposits		2,150			2,150
Due to other funds			310		310
TOTAL LIABILITIES	<u>3,404</u>	<u>2,399</u>	<u>1,012</u>		<u>6,815</u>
<u>Fund Balance</u>					
Restricted	57,945	49,755	57,738	7,785	173,223
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 61,349</u>	<u>\$ 52,154</u>	<u>\$ 58,750</u>	<u>\$ 7,785</u>	<u>\$ 180,038</u>

See independent auditor's report.

TOWN OF HALLS, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2023

	State Street Aid Fund	Community Center	Library Fund	Police Narcotics Fund	Total
<u>Revenues</u>					
Intergovernmental revenues	\$ 72,890	\$	\$	\$	\$ 72,890
Drug related fines				546	546
Contribution					
Miscellaneous revenues	10	14,655	34,245	11	48,921
Total revenues	<u>72,900</u>	<u>14,655</u>	<u>34,245</u>	<u>557</u>	<u>122,357</u>
<u>Expenditures</u>					
Highways and streets	60,904				60,904
Community center		7,728			7,728
CDBG grant					
Recreation					
Public safety					
Library			51,909		51,909
Total expenditures	<u>60,904</u>	<u>7,728</u>	<u>51,909</u>		<u>120,541</u>
Revenues over (under) expenditures	<u>11,996</u>	<u>6,927</u>	<u>(17,664)</u>	<u>557</u>	<u>1,816</u>
<u>Other Financing Sources (Uses)</u>					
Transfer from other fund			20,700		20,700
Total other financing sources			<u>20,700</u>		<u>20,700</u>
Net change in fund balance	11,996	6,927	3,036	557	22,516
Fund balance - July 1, 2022	<u>45,949</u>	<u>42,828</u>	<u>54,702</u>	<u>7,228</u>	<u>150,707</u>
Fund balance - June 30, 2023	<u>\$ 57,945</u>	<u>\$ 49,755</u>	<u>\$ 57,738</u>	<u>\$ 7,785</u>	<u>\$ 173,223</u>

See independent auditor's report.

TOWN OF HALLS, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - STATE STREET AID FUND
For the Fiscal Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
<u>Intergovernmental Revenues</u>				
State of Tennessee gasoline and motor fuel tax	\$ 92,276	\$ 92,276	\$ 36,995	\$ (55,281)
State of Tennessee gas 1989			5,899	5,899
State of Tennessee gas 2017			19,069	19,069
State of Tennessee gas 3 cent			10,927	10,927
Total intergovernmental revenues	<u>92,276</u>	<u>92,276</u>	<u>72,890</u>	<u>(19,386)</u>
<u>Miscellaneous Revenues</u>				
Interest earnings	<u>120</u>	<u>120</u>	<u>10</u>	<u>(110)</u>
Total miscellaneous revenues	<u>120</u>	<u>120</u>	<u>10</u>	<u>(110)</u>
 Total revenues	 <u>92,396</u>	 <u>92,396</u>	 <u>72,900</u>	 <u>(19,496)</u>
<u>Expenditures</u>				
<u>Highways and Streets</u>				
Street lighting	54,400	54,400	45,864	(8,536)
Roads, streets, and parking lot	<u>27,500</u>	<u>27,500</u>	<u>15,040</u>	<u>(12,460)</u>
Total expenditures	<u>81,900</u>	<u>81,900</u>	<u>60,904</u>	<u>(20,996)</u>
 Revenues over (under) expenditures	 10,496	 10,496	 11,996	 1,500
 Fund balance - July 1, 2022	 <u>45,949</u>	 <u>45,949</u>	 <u>45,949</u>	
 Fund balance - June 30, 2023	 <u>\$ 56,445</u>	 <u>\$ 56,445</u>	 <u>\$ 57,945</u>	 <u>\$ 1,500</u>

See independent auditor's report.

TOWN OF HALLS, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - POLICE NARCOTICS FUND
For the Fiscal Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Over <u>(Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
<u>Miscellaneous Revenues</u>				
Fines	\$ 250	\$ 250	\$ 546	\$ 296
Miscellaneous	6	6	11	5
Total miscellaneous revenues	<u>256</u>	<u>256</u>	<u>557</u>	<u>301</u>
Revenues over (under) expenditures	256	256	557	301
Fund balance - July 1, 2022	<u>7,228</u>	<u>7,228</u>	<u>7,228</u>	
Fund balance - June 30, 2023	<u>\$ 7,484</u>	<u>\$ 7,484</u>	<u>\$ 7,785</u>	<u>\$ 301</u>

See independent auditor's report.

TOWN OF HALLS, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - COMMUNITY CENTER FUND
For the Fiscal Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
<u>Revenues</u>				
<u>Miscellaneous Revenues</u>				
Rents and royalties	\$ -	\$ -	\$ 14,615	\$ 14,615
Interest	25	25	40	15
Total miscellaneous revenues	<u>25</u>	<u>25</u>	<u>14,655</u>	<u>14,630</u>
<u>Expenditures</u>				
<u>Recreation</u>				
Contractual services	2,000	2,000	2,000	
Advertising	50	50		(50)
Operating supplies	3,400	3,400	4,839	1,439
Insurance	500	500		(500)
Repair and maintenance	2,000	2,000	889	(1,111)
Postage box rent	15	15		(15)
Total expenditures	<u>7,965</u>	<u>7,965</u>	<u>7,728</u>	<u>(237)</u>
Revenues over (under) expenditures	<u>(7,940)</u>	<u>(7,940)</u>	<u>6,927</u>	<u>14,867</u>
<u>Other Financing sources</u>				
Other financing sources	<u>8,000</u>	<u>8,000</u>		<u>(8,000)</u>
Net change in fund balance	60	60	6,927	6,867
Fund balance - July 1, 2022	<u>42,828</u>	<u>42,828</u>	<u>42,828</u>	
Fund balance - June 30, 2023	<u>\$ 42,888</u>	<u>\$ 42,888</u>	<u>\$ 49,755</u>	<u>\$ 6,867</u>

See independent auditor's report.

TOWN OF HALLS, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - LIBRARY FUND
For the Fiscal Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Contributions	\$ 32,500	\$ 32,878	\$ 34,194	\$ 1,316
Miscellaneous	65	65	51	(14)
Total revenues	<u>32,565</u>	<u>32,943</u>	<u>34,245</u>	<u>1,302</u>
<u>Expenditures</u>				
Salaries and wages	35,000	35,000	35,066	66
Payroll taxes	3,100	3,100	2,788	(312)
Utilities and telephone	4,300	4,300	2,617	(1,683)
Repair and maintenance	500	500	367	(133)
Memberships and registration fees	200	200	1,226	1,026
Books	700	700	-	(700)
Operating supplies	2,000	2,000	1,375	(625)
Office supplies	-	378	1,618	1,240
Insurance	2,424	2,424	2,236	(188)
Sundry	390	390	321	(69)
Contracted services	3,235	3,235	4,295	1,060
Total expenditures	<u>51,849</u>	<u>52,227</u>	<u>51,909</u>	<u>(318)</u>
Revenues over (under) expenditures	(19,284)	(19,284)	(17,664)	1,620
<u>Other Financing Sources (Uses)</u>				
Transfer from other fund	<u>20,700</u>	<u>20,700</u>	<u>20,700</u>	
Net change in fund balance	1,416	1,416	3,036	1,620
Fund balance - July 1, 2022	<u>54,702</u>	<u>54,702</u>	<u>54,702</u>	
Fund balance - June 30, 2023	<u>\$ 56,118</u>	<u>\$ 56,118</u>	<u>\$ 57,738</u>	<u>\$ 1,620</u>

See independent auditor's report.

TOWN OF HALLS, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended June 30, 2023

Program Name	Grant/Contract Number	Assistance Listing Number	Federal Grantor Agency/ Pass-Through Agency	Expenditures
Total Department of Human Services				
Passed through Shelby County Commission on Aging				
Special Programs for the Aging -				
Title III, Part B - Grants for Supportive Services and Senior Centers	01-20-22-GR	93.044	Department of Human Services	\$ 107,222
Special Programs for the Aging -				
National Family Caregiver Support, Title III, Part E	01-20-22-GR	93.052	Department of Human Services	4,875
Special Programs for the Aging -				
Title III, Part D - Grants for Disease Prevention and Health Promotion Services	01-20-22-GR	93.043	Department of Human Services	<u>8,147</u>
Total Department of Human Services				<u>120,244</u>
State and Community Highway Safety	Z-23-THS116	20.600	National Highway Traffic Safety Administration State of Tennessee Department of Safety and Homeland Security	<u>9,581</u>
2018 CDBG Housing Grant		14.228	Department of Housing and Urban Development/ Tennessee Department of Economic and Community Development	324,869
2022 CDBG Water System Improvements	01-20-22-GG	14.228	Department of Housing and Urban Development/ Tennessee Department of Economic and Community Development	<u>44,590</u>
Total Department of Housing and Urban Development				<u>369,459</u>
Total Federal Awards				<u>499,284</u>
Airport Grant	49-555-0732-23	N/A	State of Tennessee Department of Transportation	<u>9,384</u>
Tennessee Arts Commission Grant	31625-16787	N/A	Tennessee Arts Commission	<u>4,800</u>
Tennessee Agricultural Enhancement Program			Tennessee Department of Agriculture	<u>3,455</u>
Homemaker Grant	01-20-22-GR	N/A	Area Agency on Aging	<u>63,242</u>
Total State Financial Assistance				<u>80,881</u>
Total				<u>\$ 580,165</u>

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal and state award activity of the Town of Halls under programs of the federal government for the year ended June 30, 2023. Because the Schedule presents only a selected portion of the operations of the Town of Halls, it is not intended to and does not present the net position or fund balance, changes in net position or fund balance, or cash flows, where applicable, of the Town of Halls.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Negative amounts shown on the Schedule represents adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Town of Halls has not elected to use the 10-percent de minimus indirect cost rate as allowed under Uniform Guidance.

TOWN OF HALLS, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
FOR THE YEAR ENDED JUNE 30, 2023

<u>Description of Indebtedness</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>	<u>Outstanding 7/1/2022</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding 6/30/2023</u>
Governmental Activities									
<u>Notes Payable</u>									
<u>Payable through General Fund</u>									
General Obligation Capital Outlay Note, Series 2019	\$ 81,000	4.38%	1/29/19	2/1/27	\$ 54,000	\$ -	\$ 9,990	\$ -	\$ 44,010
Equipment Acquisition Capital Outlay Note, Series 2019	118,750	4.25%	6/26/19	8/1/24	74,500	-	24,000	-	50,500
General Obligation Capital Outlay Note, Series 2021	500,000	2.25%	11/9/21	10/1/31	500,000	-	45,100	-	454,900
LED Street Lighting Capital Outlay Note, Series 2023	376,000	4.69%	2/23/23	2/1/35	-	376,000	-	-	376,000
Total Notes Payable Through General Fund	<u>\$ 1,075,750</u>				<u>\$ 628,500</u>	<u>\$ 376,000</u>	<u>\$ 79,090</u>	<u>\$ -</u>	<u>\$ 925,410</u>
<u>Bonds Payable</u>									
<u>Payable through General Fund</u>									
General Obligation Bonds, Activity Center	\$ 184,300	4.00%	5/24/11	5/24/45	\$ 149,246	\$ -	\$ 4,061	\$ -	\$ 145,185
General Obligation Bonds, Series 2014	390,000	2.00%	11/12/14	6/1/32	235,000	-	20,000	-	215,000
General Obligation Bonds, Series 2018	125,000	3.50%	4/11/18	4/11/58	118,490	-	1,699	-	116,791
Total Bonds Payable Through General Fund	<u>\$ 699,300</u>				<u>\$ 502,736</u>	<u>\$ -</u>	<u>\$ 25,760</u>	<u>\$ -</u>	<u>\$ 476,976</u>
<u>Notes Payable</u>									
<u>Payable through Sanitation Fund</u>									
Equipment Acquisition Capital Outlay Note, Series 2019	\$ 118,750	4.25%	6/26/19	8/1/24	\$ 74,500	\$ -	\$ 24,000	\$ -	\$ 50,500
Sanitation Truck Capital Outlay Note, Series 2023	270,000	4.58%	2/23/23	2/1/28	-	270,000	-	-	270,000
Total Notes Payable Through Sanitation Fund	<u>\$ 388,750</u>				<u>\$ 74,500</u>	<u>\$ 270,000</u>	<u>\$ 24,000</u>	<u>\$ -</u>	<u>\$ 320,500</u>
Business-Type Activities									
<u>Notes Payable</u>									
<u>Payable through Water Fund</u>									
General Obligation Capital Outlay Note, Series 2019	\$ 219,000	4.38%	1/29/19	2/1/27	\$ 146,000	\$ -	\$ 27,010	\$ -	\$ 118,990
State Revolving Loan	591,132	0.064%	4/30/15	4/30/35	371,378	-	28,020	-	343,358
	<u>\$ 810,132</u>				<u>\$ 517,378</u>	<u>\$ -</u>	<u>\$ 55,030</u>	<u>\$ -</u>	<u>\$ 462,348</u>
<u>Bonds Payable</u>									
<u>Payable through Water Fund</u>									
Water Revenue Bonds, Series 2014	<u>\$ 1,510,000</u>	2.00%	11/12/14	6/1/32	<u>\$ 925,000</u>	<u>\$ -</u>	<u>\$ 85,000</u>	<u>\$ -</u>	<u>\$ 840,000</u>

See independent auditor's report.

TOWN OF HALLS, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
GENERAL OBLIGATION BONDS SERIES 2014
June 30, 2023

<u>Due Date</u>	<u>Principal Balance</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Payment</u>
12-01-23	\$ 215,000		3,053	3,053
06-01-24	215,000	20,000	3,053	23,053
12-01-24	195,000		2,828	2,828
06-01-25	195,000	20,000	2,828	22,828
12-01-25	175,000		2,583	2,583
06-01-26	175,000	20,000	2,583	22,583
12-01-26	155,000		2,338	2,338
06-01-27	155,000	20,000	2,338	22,338
12-01-27	135,000		2,063	2,063
06-01-28	135,000	25,000	2,063	27,063
12-01-28	110,000		1,719	1,719
06-01-29	110,000	25,000	1,719	26,719
12-01-29	85,000		1,344	1,344
06-01-30	85,000	30,000	1,344	31,344
12-01-30	55,000		894	894
06-01-31	55,000	25,000	894	25,894
12-01-31	30,000		488	488
06-01-32	30,000	30,000	488	30,488
		<u>\$ 215,000</u>	<u>\$ 34,620</u>	<u>\$ 249,620</u>

See independent auditor's report.

TOWN OF HALLS, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
WATER REVENUE BOND SERIES 2014
June 30, 2023

Due Date	Principal Balance	Principal Payment	Interest Payment	Total Payment
12-01-23	\$ 840,000		11,838	11,838
06-01-24	840,000	85,000	12,138	97,138
12-01-24	755,000		10,881	10,881
06-01-25	755,000	85,000	11,181	96,181
12-01-25	670,000		9,840	9,840
06-01-26	670,000	90,000	10,140	100,140
12-01-26	580,000		8,738	8,738
06-01-27	580,000	90,000	9,038	99,038
12-01-27	490,000		7,500	7,500
06-01-28	490,000	90,000	7,800	97,800
12-01-28	400,000		6,263	6,263
06-01-29	400,000	95,000	6,563	101,563
12-01-29	305,000		4,838	4,838
06-01-30	305,000	95,000	5,138	100,138
12-01-30	210,000		3,413	3,413
06-01-31	210,000	105,000	3,713	108,713
12-01-31	105,000		1,706	1,706
06-01-32	105,000	105,000	2,006	107,006
		<u>\$ 840,000</u>	<u>\$ 132,734</u>	<u>\$ 972,734</u>

Note: This issue is carried as a liability on the waterworks fund balance sheet.

See independent auditor's report.

TOWN OF HALLS, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
GENERAL OBLIGATION BOND
June 30, 2023

<u>Due Date</u>	<u>Principal Balance</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Payment</u>
Year Ending				
06-30-24	\$ 145,185	\$ 4,224	\$ 5,788	\$ 10,012
06-30-25	140,961	4,393	5,619	10,012
06-30-26	136,568	4,569	5,443	10,012
06-30-27	131,999	4,751	5,261	10,012
06-30-28	127,248	4,941	5,071	10,012
06-30-29	122,307	5,139	4,873	10,012
06-30-30	117,168	5,345	4,667	10,012
06-30-31	111,823	5,558	4,454	10,012
06-30-32	106,265	5,781	4,231	10,012
06-30-33	100,484	6,012	4,000	10,012
06-30-34	94,472	6,252	3,760	10,012
06-30-35	88,220	6,502	3,510	10,012
06-30-36	81,718	6,763	3,249	10,012
06-30-37	74,955	7,033	2,979	10,012
06-30-38	67,922	7,314	2,698	10,012
06-30-39	60,608	7,607	2,405	10,012
06-30-40	53,001	7,911	2,101	10,012
06-30-41	45,090	8,228	1,784	10,012
06-30-42	36,862	8,557	1,455	10,012
06-30-43	28,305	8,899	1,113	10,012
06-30-44	19,406	9,255	757	10,012
06-30-45	10,151	10,151	391	10,012
		<u>\$ 145,185</u>	<u>\$ 75,609</u>	<u>\$ 220,264</u>

See independent auditor's report.

TOWN OF HALLS, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
WATER FUND - STATE REVOLVING FUND
June 30, 2023

<u>Due Date</u>	<u>Principal Balance</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Payment</u>
<u>Year Ending</u>				
06-30-24	\$ 343,358	\$ 28,200	\$ 2,136	\$ 30,336
06-30-25	315,158	28,392	1,944	30,336
06-30-26	286,766	28,572	1,764	30,336
06-30-27	258,194	28,752	1,584	30,336
06-30-28	229,442	28,932	1,404	30,336
06-30-29	200,510	29,124	1,212	30,336
06-30-30	171,386	29,316	1,020	30,336
06-30-31	142,070	29,496	840	30,336
06-30-32	112,574	29,688	648	30,336
06-30-33	82,886	29,880	456	30,336
06-30-34	53,006	30,072	264	30,336
06-30-35	22,934	22,934	7	22,941
		<u>\$ 343,358</u>	<u>\$ 13,279</u>	<u>\$ 356,637</u>

See independent auditor's report.

TOWN OF HALLS, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
GENERAL OBLIGATION BOND SERIES 2018
June 30, 2023

<u>Due Date</u>	<u>Principal Balance</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Payment</u>
06-30-24	\$ 116,791	\$ 1,759	\$ 4,061	\$ 5,820
06-30-25	115,032	1,822	3,998	5,820
06-30-26	113,210	1,886	3,934	5,820
06-30-27	111,324	1,953	3,867	5,820
06-30-28	109,371	2,023	3,797	5,820
06-30-29	107,348	2,095	3,725	5,820
06-30-30	105,253	2,169	3,651	5,820
06-30-31	103,084	2,247	3,573	5,820
06-30-32	100,837	2,326	3,494	5,820
06-30-33	98,511	2,409	3,411	5,820
06-30-34	96,102	2,495	3,325	5,820
06-30-35	93,607	2,584	3,236	5,820
06-30-36	91,023	2,675	3,145	5,820
06-30-37	88,348	2,771	3,049	5,820
06-30-38	85,577	2,869	2,951	5,820
06-30-39	82,708	2,971	2,849	5,820
06-30-40	79,737	3,077	2,743	5,820
06-30-41	76,660	3,186	2,634	5,820
06-30-42	73,474	3,300	2,520	5,820
06-30-43	70,174	3,417	2,403	5,820
06-30-44	66,757	3,539	2,281	5,820
06-30-45	63,218	3,664	2,156	5,820
06-30-46	59,554	3,795	2,025	5,820
06-30-47	55,759	3,930	1,890	5,820
06-30-48	51,829	4,069	1,751	5,820
06-30-49	47,760	4,214	1,606	5,820
06-30-50	43,546	4,364	1,456	5,820
06-30-51	39,182	4,519	1,301	5,820
06-30-52	34,663	4,680	1,140	5,820
06-30-53	29,983	4,847	973	5,820
06-30-54	25,136	5,019	801	5,820
06-30-55	20,117	5,197	623	5,820
06-30-56	14,920	5,382	438	5,820
06-30-57	9,538	5,574	246	5,820
06-30-58	3,964	3,964	55	4,019
		<u>\$ 116,791</u>	<u>\$ 85,108</u>	<u>\$ 201,899</u>

See independent auditor's report.

TOWN OF HALLS, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
GENERAL OBLIGATION CAPITAL OUTLAY NOTE SERIES 2019 - GENERAL FUND (27%)
 June 30, 2023

<u>Due Date</u>	<u>Principal Balance</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Payment</u>
08-01-23	\$ 44,010		\$ 964	\$ 964
02-01-24	44,010	10,260	964	11,224
08-01-24	33,750		739	739
02-01-25	33,750	10,800	739	11,539
08-01-25	22,950		503	503
02-01-26	22,950	11,340	503	11,843
08-01-26	11,610		254	254
02-01-27	11,610	11,610	254	11,864
		<u>\$ 44,010</u>	<u>\$ 4,920</u>	<u>\$ 48,930</u>

See independent auditor's report.

TOWN OF HALLS, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
GENERAL OBLIGATION CAPITAL OUTLAY NOTE SERIES 2019 - WATER FUND (73%)
June 30, 2023

<u>Due Date</u>	<u>Principal Balance</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Payment</u>
08-01-23	\$ 118,990		\$ 3,416	\$ 3,416
02-01-24	118,990	27,740	3,416	31,156
08-01-24	91,250		2,831	2,831
02-01-25	91,250	29,200	2,831	32,031
08-01-25	62,050		2,234	2,234
02-01-26	62,050	30,660	2,234	32,894
08-01-26	31,390		1,608	1,608
02-01-27	31,390	31,390	1,608	32,998
		<u>\$ 118,990</u>	<u>\$ 20,178</u>	<u>\$ 139,168</u>

See independent auditor's report.

TOWN OF HALLS, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
EQUIPMENT ACQUISITION CAPITAL OUTLAY NOTE SERIES 2019
 June 30, 2023

<u>Due Date</u>	<u>Principal Balance</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Payment</u>
08-01-23	\$ 101,000	\$ 49,000	\$ 2,055	\$ 51,055
02-01-24	52,000		1,058	1,058
08-01-24	52,000	<u>52,000</u>	<u>1,058</u>	<u>53,058</u>
		<u>\$ 101,000</u>	<u>\$ 4,171</u>	<u>\$ 105,171</u>

See independent auditor's report.

TOWN OF HALLS, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
GENERAL OBLIGATION CAPITAL OUTLAY NOTE SERIES 2021
June 30, 2023

<u>Due Date</u>	<u>Principal Balance</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Payment</u>
10-01-23	\$ 454,900	\$ 46,200	\$ 5,118	\$ 51,318
04-01-24	408,700		4,598	4,598
10-01-24	408,700	47,200	4,598	51,798
04-01-25	361,500		4,067	4,067
10-01-25	361,500	48,300	4,067	52,367
04-01-26	313,200		3,523	3,523
10-01-26	313,200	49,300	3,523	52,823
04-01-27	263,900		2,969	2,969
10-01-27	263,900	50,500	2,969	53,469
04-01-28	213,400		2,401	2,401
10-01-28	213,400	51,600	2,401	54,001
04-01-29	161,800		1,820	1,820
10-01-29	161,800	52,700	1,820	54,520
04-01-30	109,100		1,227	1,227
10-01-30	109,100	53,900	1,227	55,127
04-01-31	55,200		621	621
10-01-31	55,200	55,200	621	55,821
		<u>\$ 454,900</u>	<u>\$ 47,570</u>	<u>\$ 502,470</u>

See independent auditor's report.

TOWN OF HALLS, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
SANITATION TRUCK CAPITAL OUTLAY NOTE SERIES 2023
June 30, 2023

<u>Due Date</u>	<u>Principal Balance</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Payment</u>
08-01-23	\$ 270,000	\$	\$ 5,427	\$ 5,427
02-01-24	270,000	49,000	6,183	55,183
08-01-24	221,000		5,061	5,061
02-01-25	221,000	52,000	5,061	57,061
08-01-25	169,000		3,870	3,870
02-01-26	169,000	54,000	3,870	57,870
08-01-26	115,000		2,634	2,634
02-01-27	115,000	56,000	2,364	58,364
08-01-27	59,000		1,351	1,351
02-01-28	59,000	59,000	1,351	60,351
		<u>\$ 270,000</u>	<u>\$ 37,172</u>	<u>\$ 307,172</u>

See independent auditor's report.

TOWN OF HALLS, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
GENERAL OBLIGATION CAPITAL OUTLAY NOTE SERIES 2021
June 30, 2023

<u>Due Date</u>	<u>Principal Balance</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Payment</u>
08-01-23	\$ 376,000		\$ 7,740	\$ 7,740
02-01-24	376,000	24,000	8,817	32,817
08-01-24	352,000		8,254	8,254
02-01-25	352,000	25,000	8,254	33,254
08-01-25	327,000		7,668	7,668
02-01-26	327,000	26,000	7,668	33,668
08-01-26	301,000		7,058	7,058
02-01-27	301,000	28,000	7,058	35,058
08-01-27	273,000		6,402	6,402
02-01-28	273,000	29,000	6,402	35,402
08-01-28	244,000		5,722	5,722
02-01-29	244,000	30,000	5,722	35,722
08-01-29	214,000		5,018	5,018
02-01-30	214,000	32,000	5,018	37,018
08-01-30	182,000		4,268	4,268
02-01-31	182,000	33,000	4,268	37,268
08-01-31	149,000		3,494	3,494
02-01-32	149,000	35,000	3,494	38,494
08-01-32	114,000		2,673	2,673
02-01-33	114,000	36,000	2,673	38,673
08-01-33	78,000		1,829	1,829
02-01-34	78,000	38,000	1,829	39,829
08-01-34	40,000		938	938
02-01-35	40,000	40,000	938	40,938
		<u>\$ 376,000</u>	<u>\$ 123,205</u>	<u>\$ 499,205</u>

See independent auditor's report.

TOWN OF HALLS, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
For the Fiscal Year Ended June 30, 2023

Year of Levy	Balance 7/1/2022	Current Assessments and Adjustments	Collections	Balance 6/30/2023	Delinquent Taxes Filed with County Trustee
2013	\$ 59			\$ 59	\$ 59
2014	155			155	155
2015	466		315	151	151
2016	428		422	6	6
2017	697		422	275	275
2018	720		513	207	207
2019	1,171		1,133	38	38
2020	2,923		2,530	393	393
2021	28,904		24,807	4,097	4,097
2022		661,358	630,760	30,598	
Less: reserve for uncollectible				(149)	
	<u>\$ 35,523</u>	<u>\$ 661,358</u>	<u>\$ 660,902</u>	<u>\$ 35,830</u>	<u>\$ 5,381</u>

2023 levy tax due October 1, 2023
considered as unavailable revenue - property taxes

508,154

\$ 543,984

Year Ended	Assessed Valuation	Tax Rate Per \$100	Total Assessment
06/30/13	\$ 27,869,377	\$ 1.60	\$ 446,439
06/30/14	28,726,795	1.60	460,174
06/30/15	28,150,752	1.60	452,680
06/30/16	28,088,887	1.64	461,079
06/30/17	27,580,338	1.64	452,731
06/30/18	29,125,633	1.64	478,097
06/30/19	29,876,035	1.64	490,415
06/30/20	30,116,341	1.64	493,908
06/30/21	30,934,085	1.64	507,319
06/30/22	45,727,596	1.45	496,436

See independent auditor's report.

TOWN OF HALLS, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE
For the Fiscal Year Ended June 30, 2023

Water Rates

Inside Town Limits Residential and Commercial - Class 1

Minimum charge	\$12.38
Per gallons	.408 per 100

Outside Town Limits Residential and Commercial - Class 5

Minimum charge	\$13.88
Per gallons	.518 per 100

The Town had 2,209 water customers as of 6-30-23.

Sewer Rates

Residential - Class 1

Minimum Gallons	\$7.20
	.39 per 100

Commercial and Public Authority - Class 14

Minimum Gallons	\$11.00
	.44 per 100

Industrial – Class 40

Minimum Gallons	\$30.00
	.44 per 100

The Town had 964 sewer customers as of 6-30-23.

Sanitation Rates

Residential	\$ 18.00
Commercial	21.75
Rural Residential	20.00

The Town had 1,618 sanitation customers as of 6-30-23.

Gas Rates

Inside Town Limits Residential - Class 22

Minimum charge - First 500 cubic feet	\$6.50
Over 500 cubic feet	.74 per 100

See independent auditor's report.

TOWN OF HALLS, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE
For the Fiscal Year Ended June 30, 2023

Inside Town Limits Public Authority - Class 14

Minimum charge - First 500 cubic feet	\$9.00
Over 500 cubic feet	.74 per 100

Inside Commercial - Class 35

Minimum charge - First 500 cubic feet	\$9.00
Over 500 cubic feet	0.73 per 100

Outside Commercial – Class 36

Minimum charge – First 500 cubic feet	\$10.25
Over 500 cubic feet	.74 per 100

Inside Industrial - Class 40

Minimum charge - First 500 cubic feet	\$11.50
Over 500 cubic feet	0.68 per 100

Outside Industrial – Class 41

Minimum charge – First 500 cubic feet	\$12.75
Over 500 cubic feet	0.70 per 100

Inside Large Industrial - Class 50

Minimum charge - First 500 cubic feet	\$12.75
Over 500 cubic feet	0.55 per 100

Outside Large Industrial – Class 51

Minimum charge – First 500 cubic feet	\$14.00
Over 500 cubic feet	0.55 per 100

Outside Town Limits Residential - Class 23

Minimum charge - First 500 cubic feet	\$6.50
Over 500 cubic feet	.76 per 100

Outside Town Limits Public Authority - Class 15

Minimum charge - First 500 cubic feet	\$10.25
Over 500 cubic feet	.76 per 100

The Town had 1,408 gas customers as of 6-30-23.

See independent auditor's report.

TOWN OF HALLS, TENNESSEE
SCHEDULE OF INTERFUND TRANSFERS
For the Fiscal Year Ended June 30, 2023

<u>Transfer From</u>	Transfer To		
<u>Fund</u>	Library Fund	Senior Citizens Center Fund	<u>Total</u>
General Fund	\$20,700	\$ 42,000	\$ 62,700
Eliminated-above funds (budget basis) that general fund for fund statements			(62,700)
			\$ -

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE



**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***

The Honorable Mayor and Board of Aldermen
Town of Halls, Tennessee

We 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, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Halls, Tennessee (the Town), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 30, 2024.

Report on Internal Control Over Financial Reporting

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

Our consideration of 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 have not been identified. However, as described in the accompanying schedule of findings, recommendations and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as 2023-003 in the accompanying schedule of findings, recommendations, and responses to be a material weakness.

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 to those charged with governance. We consider the deficiency described as 2023-001 in the accompanying schedule of findings, recommendations, and responses to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Halls' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Audit Standards*, and which are described in the accompanying schedule of findings, recommendations, and responses as items 2023-002 and 2023-003.

The Town's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Halls' response to the findings identified in our audit and described in the accompanying schedule of findings, recommendations, and responses. The Town of Halls' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ATA, PLLC

Dyersburg, Tennessee
January 30, 2024

TOWN OF HALLS, TENNESSEE
SCHEDULE OF FINDINGS, RECOMMENDATIONS, AND RESPONSES
For the Fiscal Year Ended June 30, 2023

2023-001 Inadequate Segregation of Duties – Significant Deficiency

Condition: The Town of Halls has inadequate segregation of duties in the record keeping function, including accounts payable, cash and receipts.

Criteria: Adequate segregation of duties is important in order to facilitate controls and maintain adequate safeguards over Town assets.

Cause: The Town does not have enough employees to properly segregate duties.

Effect: Without the proper segregation and accountability, the Town could incur losses with respect to the potential for misappropriations.

Recommendation: While it is understandable that it is not always feasible to segregate duties due to limited accounting staff, we encourage the Town to make efforts to further segregate the duties of the accounting staff.

Response: Our organization is too small to justify hiring additional personnel. We realize a weakness exists, but it is not cost effective for us to hire additional staff.

2023-002 Budget Exceeded – Noncompliance

Condition: During the year ended June 30, 2023, expenditures exceeded appropriations in general fund by \$11,840 and the senior center fund by \$29,710.

Criteria: TCA 6-56-203 states that “the governing body shall not make any appropriations in excess of estimated available funds, except to provide for an actual emergency threatening the health, property, or lives of inhabitants of the municipality and declared by a two-thirds (2/3) vote of all members of the governing body present, when there is a quorum”.

Cause: Expenditures exceeded budgeted amounts in the general fund and senior center fund.

Effect: Expenditures were not properly authorized by the Town’s board and state law was not followed relating to the budgeting of expenditures.

Recommendation: We recommend expenditures be compared to the budget on a regular basis and that the budget be amended when necessary, so all expenditures are adequately approved within the City’s budgeting process.

Response: We will monitor expenditures and request budgetary amendments to permit all funds to operate effectively and efficiently.

2023-003 Closing of Books – Material Weakness and Noncompliance

Condition: During the course of our audit we had proposed material adjustments to general ledger accounts in the general, water, sewer, and gas funds that do not allow the City to properly close its books within two months of the close of its fiscal year.

TOWN OF HALLS, TENNESSEE
SCHEDULE OF FINDINGS, RECOMMENDATIONS, AND RESPONSES
For the Fiscal Year Ended June 30, 2023

Criteria: Tennessee Code Annotated Section 9-2-102 requires all local governments to close their official accounting records and to have those records available for audit no later than two months after the close of their fiscal year end.

Cause: Due to proposed material adjustments that were needed the Town was not able to close books in required time.

Effect: Failure to close books within two months after the close of the fiscal year end can lead to undetected errors, irregularities, and material misstatements in financial reporting.

Recommendation: To detect errors or irregularities promptly, municipal officials should ensure general ledger accounts are reconciled and that their books are closed within two months of the close of their fiscal year.

Response: We concur.

TOWN OF HALLS, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS
For the Fiscal Year Ended June 30, 2023

Financial Statement Findings

<u>Prior Year Finding Number</u>	<u>Finding Title</u>	<u>Status/Current Year Finding Number</u>
2022-001	Inadequate Segregation of Duties (Original finding # 1997-001)	Repeated/2023-001
2022-002	Budget Exceeded (Original finding # 2018-002)	Repeated/2023-002
2022-003	Closing of Books (Original finding # 2018-003)	Repeated/2023-003

Federal Award Findings and Questioned Costs

There were no prior year findings reported.

TOWN OF HALLS
Member, Tennessee Municipal League
HALLS, TENNESSEE 38040
Phone (731) 836-9653

Management's Corrective Action Plan

The Town of Halls respectfully submits the following corrective action plan for the year ended June 30, 2023.

Name and address of independent public accounting firm:

ATA CPAs + Advisors
185 North Church Street
Dyersburg, TN 38024

Responsible officials for corrective action:

Eugene Pugh, Mayor
Town of Halls

Signature: _____



Audit period: June 30, 2023

The findings from the June 30, 2023, schedule of findings, recommendations, and responses are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

2023-001 Inadequate Segregation of Duties – Significant Deficiency

Corrective Action Taken or Planned: Our organization is too small to justify hiring additional personnel. We realize a weakness exists, but it is not cost effective for us to hire additional staff.

Anticipated Completion Date: None

2023-002 Budget Exceeded – Noncompliance

Corrective Action Taken or Planned: We will monitor expenditures and request budgetary amendments to permit all funds to operate effectively and efficiently

Anticipated Completion Date: June 30, 2024

2023-003 Closing of Books – Material Weakness and Noncompliance

Corrective Action Taken or Planned: To have all adjustments and corrections that we are aware of made within 60 days after close of the fiscal year.

Anticipated Completion Date: June 30, 2024