

**CITY OF ST. JOSEPH
TENNESSEE**

ANNUAL FINANCIAL REPORT

JUNE 30, 2023

CITY OF ST. JOSEPH

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Commissioners
City of St. Joseph, 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 City of St. Joseph (the "City"), Tennessee, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of St. Joseph, Tennessee's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Joseph, Tennessee, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General 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 City of St. Joseph, Tennessee and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of St. Joseph, Tennessee'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 City of St. Joseph, Tennessee's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of St. Joseph, Tennessee's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9 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 City of St. Joseph, Tennessee's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules and the financial schedule section are 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 combining and individual nonmajor fund financial statements and schedules and financial schedule section are 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 other financial schedule 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 financial schedule section, 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 December 8, 2023, on our consideration of the City of St. Joseph, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of St. Joseph, Tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of St. Joseph, Tennessee's internal control over financial reporting and compliance.



Hunt & Associates
December 8, 2023

Management's Discussion and Analysis

As management of the City of St. Joseph, Tennessee ("the City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

Comparative analyses of key elements of total governmental funds and total enterprise funds have been provided.

Financial Highlights

- ♦ The assets and deferred outflows of the City of St. Joseph exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$2,474,812 (net position). Of this amount, \$1,098,339 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- ♦ The government's total net position increased by \$153,659.
- ♦ As of the close of the current fiscal year, the City's governmental activities reported combined ending net position of \$1,012,164 which is an increase of \$117,397 from the prior year. The City's business-type activities reported combined ending net position of \$1,462,648 which is an increase of \$36,262 from the prior year.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, parks and recreation, and public works. The business-type activities include the Water System Fund and the Natural Gas System Fund.

Fund financial statement. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City 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 on 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 governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains two individual governmental funds which are the General Fund and State Street Aid Fund.

Proprietary funds. There are two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for activities in its Water System and Natural Gas System Funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a City's various functions. The City does not use internal service funds. The proprietary fund financial statements provide separate information for the Water System and Natural Gas System Funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support a city's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City does not have any fiduciary funds.

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position.

**City of St. Joseph
Net Position - Primary Government
June 30, 2023 and 2022**

	Governmental Activities		Business-type Activities	
	2023	2022	2023	2022
Current and Other Assets	\$ 691,087	\$ 588,066	\$ 572,216	\$ 650,965
Capital Assets (net)	440,181	464,148	968,310	870,826
Total Assets	<u>1,131,268</u>	<u>1,052,214</u>	<u>1,540,526</u>	<u>1,521,791</u>
Deferred Outflows of Resources	<u>6,041</u>	<u>—</u>	<u>5,044</u>	<u>—</u>
Other Liabilities	14,453	26,559	82,922	95,405
Long-term Liabilities	42,082	64,157	—	—
Total Liabilities	<u>56,535</u>	<u>90,716</u>	<u>82,922</u>	<u>95,405</u>
Deferred Inflows of Resources	<u>68,610</u>	<u>66,731</u>	<u>—</u>	<u>—</u>
Net investment in capital assets	398,099	399,991	968,310	870,826
Restricted	10,064	7,356	—	—
Unrestricted	604,001	487,420	494,338	555,560
Total Net Position	<u>\$ 1,012,164</u>	<u>\$ 894,767</u>	<u>\$ 1,462,648</u>	<u>\$ 1,426,386</u>

The largest portions of the City’s net position reflect its unrestricted net assets and investment capital assets (e.g., land, buildings, machinery and equipment, and improvements) less any related debts used to acquire those assets that are still outstanding.

**The City’s Capital Assets
June 30, 2023 and 2022**

	Governmental Activities		Business-type Activities	
	2023	2022	2023	2022
Land	\$ 48,133	\$ 48,133	\$ 4,926	\$ 4,926
Buildings	179,048	179,048	360,931	360,931
Improvements	540,780	540,780	1,495,087	1,495,087
Plant and equipment	—	—	855,735	855,735
Machinery and equipment	981,842	952,253	332,951	194,755
Total capital assets	<u>1,749,803</u>	<u>1,720,214</u>	<u>3,049,630</u>	<u>2,911,434</u>
Less: Accumulated depreciation	1,309,622	1,256,066	2,081,320	2,040,608
Net capital assets	<u>\$ 440,181</u>	<u>\$ 464,148</u>	<u>\$ 968,310</u>	<u>\$ 870,826</u>

Long-term debt: At the end of the current fiscal year, the City had long-term debt outstanding of \$42,082 in the General Fund.

Additional information on the City’s capital assets and long-term debt can be found in the notes to the financial statement.

**City of St. Joseph
Schedule of Changes in Net Position**

	Governmental Activities		Business-type Activities	
	2023	2022	2023	2022
Revenues				
Taxes	\$ 261,894	\$ 249,516	\$ —	\$ —
Intergovernmental	134,427	152,117		
Fees and fines	68,646	76,049		
Licenses, permits, and rentals	8,270	7,705		
Grants and contributions	122,988	149,756		
Charges for services-water			272,145	235,162
Charges for services-gas			173,297	184,497
Other	10,451	14,470	6,318	12,263
Total revenues	606,676	649,613	451,760	431,922
Expenditures/Expenses				
General and administrative	292,787	263,561		
Public safety	127,734	159,299		
Parks and recreation	21,167	10,771		
Highways and streets	47,591	16,153		
Water system expenses			229,696	248,800
Natural gas system expenses			185,802	183,785
Total expenditures	489,279	449,784	415,498	432,585
Net change in balances	117,397	199,829	36,262	(663)
Fund balances—beginning	894,767	694,938	1,426,386	1,427,049
Fund balances—ending	\$ 1,012,164	\$ 894,767	\$ 1,462,648	\$ 1,426,386

**City of St. Joseph
Fund Balances – General Fund
June 30, 2023 and 2022**

	General Fund	
	2023	2022
Cash and Cash Equivalents	\$ 573,515	\$ 479,647
Other Assets	107,508	101,063
Total Assets	681,023	580,710
Total Liabilities	14,453	26,559
Deferred Inflows	68,610	66,731
Unassigned Fund Balances	\$ 597,960	\$ 487,420

The fund balance showed a respectable increase of revenues over expenditures but less than the prior year. The overall decrease was mainly due to a reduction in grant income and an increase in overall expenditures.

**City of St. Joseph
Schedule of Changes in Fund Balances**

	General Fund	
	<u>2023</u>	<u>2022</u>
Revenues		
Taxes	\$ 261,894	\$ 249,516
Intergovernmental	233,090	247,028
All Other	81,806	124,992
Total revenues	<u>576,790</u>	<u>621,536</u>
Expenditures		
Current operations	383,686	349,830
Capital outlay and improvements	58,158	66,535
Debt service	24,406	32,434
Total expenditures	<u>466,250</u>	<u>448,799</u>
Excess of revenues over expenditures	110,540	172,737
Other financing sources		8,845
Net change in balances	110,540	181,582
Fund balances—beginning	487,420	305,838
Fund balances—ending	<u>\$ 597,960</u>	<u>\$ 487,420</u>

**City of St. Joseph
Schedule of Changes in 2023 Budget and Actual**

	General Fund		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Taxes	\$ 231,900	\$ 261,894	\$ 29,994
Intergovernmental	95,635	110,102	14,467
All other	72,600	204,794	132,194
Total revenues	<u>400,135</u>	<u>576,790</u>	<u>176,655</u>
Expenditures			
General, legislative, administrative, etc.	213,520	234,121	(20,601)
Public safety	136,426	118,850	17,576
Capital outlay	5,000	58,158	(53,158)
Debt service	24,735	24,406	329
All other	16,190	30,715	(14,525)
Total expenditures	<u>395,871</u>	<u>466,250</u>	<u>(70,379)</u>
Excess of revenues over expenditures	4,264	110,540	106,276
Other financing sources			—
Net change in balances	<u>\$ 4,264</u>	110,540	<u>\$ 106,276</u>
Fund balances—beginning		487,420	
Fund balances—ending		<u>\$ 597,960</u>	

Revenues decreased from the prior year mainly due to fewer grants received. Overall current operations showed little change other than an increase in general and administrative expenses, a decrease in capital outlay purchases, and a decrease in debt service due to debt principal being paid off.

The City was very conservative when budgeting revenues due to the Covid-19 Pandemic. The biggest variances in revenues were sales tax and grants. Overall expenditures showed an increase due mainly to an increase in salaries and capital outlay expenditures.

OTHER HIGHLIGHTS

Original and Final Budgeted Amounts

The original budget was not amended for the year.

Economic Factors and Next Year's Budgets and Rates

- ♦ The City is continuing to collect overdue water and gas bills and property taxes.
- ♦ Water and gas services will be turned off if customer accounts are not paid by the fourth of the following month due.
- ♦ The City began participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS) during fiscal year ended June 30, 2023.
- ♦ The City anticipates that its 2023-2024 financial operations could be adversely impacted by the overall economic condition. However, the duration and severity of its effects is indeterminable at this time.

Request for Information

Questions concerning any of the information should be addressed to:

City of St. Joseph
Attn: City Manager
P.O. Box 37
St. Joseph, TN 38481

CITY OF ST. JOSEPH
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 583,579	\$ 536,299	\$ 1,119,878
Receivables	107,508	23,959	131,467
Inventory	—	11,958	11,958
Capital assets (net)	440,181	968,310	1,408,491
Total assets	1,131,268	1,540,526	2,671,794
DEFERRED OUTFLOWS OF RESOURCES			
Pension	6,041	5,044	11,085
Total Assets and Deferred Outflows	\$ 1,137,309	\$ 1,545,570	\$ 2,682,879
LIABILITIES			
Accounts payable	5,126	8,885	14,011
Accrued liabilities	9,327	3,452	12,779
Customer deposits		70,585	70,585
Long-term debt - payable within one year	20,944	—	20,944
Long-term debt - payable after one year	21,138	—	21,138
Total liabilities	56,535	82,922	139,457
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	68,610	—	68,610
NET POSITION			
Net investment in capital assets	398,099	968,310	1,366,409
Restricted for:			
Municipal streets	4,753		4,753
Drug fund	5,311		5,311
Unrestricted	604,001	494,338	1,098,339
Total net position	1,012,164	1,462,648	\$ 2,474,812
Total Liabilities, Deferred Inflows, and Net Position	\$ 1,137,309	\$ 1,545,570	\$ 2,682,879

The accompanying notes and independent auditor's report are an integral part of the financial statements.

CITY OF ST. JOSEPH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
General and administrative	\$ 292,787	\$ —	\$ —	\$ (292,787)	\$ —	\$ (292,787)
Public safety	127,734	68,646	122,988	63,900		63,900
Highways and streets	47,591			(47,591)		(47,591)
Parks and recreation	21,167	8,270		(12,897)		(12,897)
Total Governmental Activities	489,279	76,916	122,988	(289,375)	—	(289,375)
Business-type Activities:						
Water system	229,696	272,145			42,449	42,449
Natural gas system	185,802	173,297			(12,505)	(12,505)
Total Business-type Activities	415,498	445,442	—	—	29,944	29,944
Total Primary Government	\$ 904,777	\$ 522,358	\$ 122,988	\$ (289,375)	\$ 29,944	\$ (259,431)
General revenues:						
Taxes:						
Property taxes				\$ 74,246	\$ —	\$ 74,246
Beer tax				61,465		61,465
County sales tax				111,960		111,960
Other taxes				14,223		14,223
Intergovernmental				134,427		134,427
Interest income				4,408	47	4,455
Other				6,043	6,271	12,314
Total general revenues and special items				406,772	6,318	413,090
Change in net position				117,397	36,262	153,659
Net position—beginning				894,767	1,426,386	2,321,153
Net position—ending				\$ 1,012,164	\$ 1,462,648	\$ 2,474,812

The accompanying notes and independent auditor's report are an integral part of the financial statements.

**CITY OF ST. JOSEPH
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 573,515	\$ 10,064	\$ 583,579
Receivables (net)			
Property taxes	22,354		22,354
Property taxes (2023)	68,610		68,610
Beer tax	6,983		6,983
Other	9,561		9,561
Total assets	\$ 681,023	\$ 10,064	\$ 691,087
LIABILITIES			
Accounts payable	\$ 5,126	\$ —	\$ 5,126
Accrued liabilities	9,327		9,327
Total liabilities	14,453	—	14,453
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	68,610	—	68,610
FUND BALANCES			
Non-spendable	—	—	—
Restricted for:			
Municipal streets		4,753	4,753
Drug fund		5,311	5,311
Unassigned	597,960		597,960
Total fund balances	597,960	10,064	608,024
Total liabilities, deferred inflows, and fund balances	\$ 681,023	\$ 10,064	\$ 691,087

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION

Total fund balance—governmental funds \$ 608,024

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in funds.

Capital assets	\$ 1,749,802	
Accumulated depreciation	(1,309,621)	440,181

Deferred outflows of resources are not reported in governmental funds.		6,041
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Long-term liabilities are not due and payable in the current period and therefore are not recorded as liabilities in the funds.

Capital Outlay Bond and Other Long-term Liabilities		(42,082)
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Net position of governmental activities		\$ 1,012,164
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The accompanying notes and independent auditor's report are an integral part of the financial statements.

CITY OF ST. JOSEPH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes			
Property taxes	\$ 74,246	\$ —	\$ 74,246
Beer tax	61,465		61,465
County sales tax	111,960		111,960
Other taxes	14,223		14,223
Intergovernmental			
State sales tax	93,587		93,587
TVA-in lieu of tax	9,498		9,498
Grants	122,988		122,988
Beer tax	6,586		6,586
Other	431		431
Gasoline and motor fuel tax		24,325	24,325
Fines and forfeits	63,085	5,561	68,646
Civic center charges	8,270		8,270
Interest income	4,408		4,408
Other	6,043		6,043
Total revenues	576,790	29,886	606,676
EXPENDITURES			
Current operating:			
General and administrative	234,121		234,121
Public safety	118,850	250	119,100
Parks and recreation	15,474		15,474
Highways and streets	15,241	26,928	42,169
Capital outlay and improvements	58,158		58,158
Debt service	24,406		24,406
Total expenditures	466,250	27,178	493,428
Net change in fund balances	110,540	2,708	113,248
Fund balances—beginning	487,420	7,356	494,776
Fund balances—ending	\$ 597,960	\$ 10,064	\$ 608,024

The accompanying notes and independent auditor's report are an integral part of the financial statements.

**CITY OF ST. JOSEPH
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Total net change in fund balances—governmental funds \$ 113,248

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures	\$ 29,590	
Depreciation expense	<u>(53,556)</u>	(23,966)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred on the statement of net position and are amortized over the life of the debt. The effect of these differences in the treatment of long-term debt and related items are detailed below:

Repayments of debt principal	22,074	
Proceeds from warrants	<u>—</u>	22,074

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Increase in deferred outflows		<u>6,041</u>
Change in net position of governmental activities		<u><u>\$ 117,397</u></u>

The accompanying notes and independent auditor's report are an integral part of the financial statements.

CITY OF ST. JOSEPH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary Basis)</u>	<u>Final Budget—</u> <u>Positive</u> <u>(Negative)</u>
Revenues:				
Taxes:				
Property tax	\$ 71,000	\$ 71,000	\$ 74,246	\$ 3,246
Beer tax	58,000	58,000	61,465	3,465
County sales tax	95,000	95,000	111,960	16,960
Other	7,900	7,900	14,223	6,323
Total taxes	<u>231,900</u>	<u>231,900</u>	<u>261,894</u>	<u>29,994</u>
Intergovernmental:				
State sales tax	88,000	88,000	93,587	5,587
TVA-in lieu of tax	6,500	6,500	9,498	2,998
State beer tax	360	360	6,586	6,226
Other	775	775	431	(344)
Total intergovernmental	<u>95,635</u>	<u>95,635</u>	<u>110,102</u>	<u>14,467</u>
Other				
Fines and forfeits	60,500	60,500	63,085	2,585
Grants	5,000	5,000	122,988	117,488
Civic center charges	5,500	5,500	8,270	2,770
Miscellaneous	1,600	1,600	10,451	8,851
Total other	<u>72,600</u>	<u>72,600</u>	<u>204,794</u>	<u>131,694</u>
Total revenues	<u>400,135</u>	<u>400,135</u>	<u>576,790</u>	<u>176,155</u>
Expenditures:				
Current operations:				
General, legislative, judicial, and administrative services				
Salaries	59,000	59,000	50,836	8,164
Payroll taxes	3,600	3,600	5,783	(2,183)
Commissioners expenses	12,000	12,000	10,550	1,450
Contracted services	250	250		250
Dues and subscriptions	20,000	20,000	41,255	(21,255)
Fuel	3,000	3,000	7,794	(4,794)
Insurance	32,000	32,000	30,348	1,652
Judicial	3,600	3,600	3,900	(300)
Professional services	13,500	13,500	6,093	7,407
Telephone	2,500	2,500	4,000	(1,500)
Travel	850	850	1,495	(645)
Utilities	48,000	48,000	27,839	20,161
Other	15,220	15,220	44,228	(29,008)
Total general, legislative, judicial, and admin.	<u>213,520</u>	<u>213,520</u>	<u>234,121</u>	<u>(20,601)</u>

The accompanying notes and independent auditor's report are an integral part of the financial statements.

CITY OF ST. JOSEPH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget—</u>
			<u>(Budgetary Basis)</u>	<u>Positive</u>
				<u>(Negative)</u>
Public safety				
Police				
Salaries	84,625	84,625	77,117	7,508
Payroll taxes	8,500	8,500	6,863	1,637
Fuel	6,000	6,000	8,486	(2,486)
Insurance	19,000	19,000	17,312	1,688
Supplies	3,500	3,500	977	2,523
Training	250	250		250
Other	2,901	2,901	2,203	698
Fire				
Fire calls	6,000	6,000	2,522	3,478
Supplies	4,000	4,000	34	3,966
Other	1,650	1,650	3,336	(1,686)
Total public safety	<u>136,426</u>	<u>136,426</u>	<u>118,850</u>	<u>17,576</u>
Highways and streets				
Supplies	12,500	12,500	15,241	(2,741)
Total highways and streets	<u>12,500</u>	<u>12,500</u>	<u>15,241</u>	<u>(2,741)</u>
Park and recreation	3,690	3,690	15,474	(11,784)
Capital outlay	5,000	5,000	58,158	(53,158)
Debt service	24,735	24,735	24,406	329
Total expenditures	<u>395,871</u>	<u>395,871</u>	<u>466,250</u>	<u>(70,379)</u>
Net change in fund balance	<u>\$ 4,264</u>	<u>\$ 4,264</u>	110,540	<u>\$ 105,776</u>
Fund balances—beginning			<u>487,420</u>	
Fund balances—ending			<u>\$ 597,960</u>	

The accompanying notes and independent auditor's report are an integral part of the financial statements.

**CITY OF ST. JOSEPH
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023**

	<u>Water System</u>	<u>Natural Gas System</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 396,691	\$ 139,608	\$ 536,299
Receivables	18,271	5,688	23,959
Inventory	4,636	7,322	11,958
Total current assets	<u>419,598</u>	<u>152,618</u>	<u>572,216</u>
Non-current assets:			
Capital assets (net)	<u>965,006</u>	<u>3,304</u>	<u>968,310</u>
Total non-current assets	<u>965,006</u>	<u>3,304</u>	<u>968,310</u>
Total Assets	<u>1,384,604</u>	<u>155,922</u>	<u>1,540,526</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	<u>2,600</u>	<u>2,444</u>	<u>5,044</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,387,204</u>	<u>\$ 158,366</u>	<u>\$ 1,545,570</u>
LIABILITIES			
Current liabilities:			
Accounts payable	8,525	360	8,885
Accrued liabilities	1,974	1,478	3,452
Customer deposits	<u>36,700</u>	<u>33,885</u>	<u>70,585</u>
Total current liabilities	<u>47,199</u>	<u>35,723</u>	<u>82,922</u>
Total liabilities	<u>47,199</u>	<u>35,723</u>	<u>82,922</u>
NET POSITION			
Net investment in capital assets	965,006	3,304	968,310
Unrestricted	<u>374,999</u>	<u>119,339</u>	<u>494,338</u>
Total net position	<u>1,340,005</u>	<u>122,643</u>	<u>1,462,648</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,387,204</u>	<u>\$ 158,366</u>	<u>\$ 1,545,570</u>

The accompanying notes and independent auditor's report are an integral part of the financial statements.

CITY OF ST. JOSEPH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Water System</u>	<u>Natural Gas System</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 268,545	\$ 173,297	\$ 441,842
Installation fees	3,600		3,600
Other operating revenues	5,091	1,180	6,271
Total operating revenues	<u>277,236</u>	<u>174,477</u>	<u>451,713</u>
Operating expenses:			
Salaries	60,019	53,115	113,134
Payroll taxes	6,032	5,187	11,219
Depreciation	39,391	1,321	40,712
Gas purchased		78,840	78,840
Insurance	28,026	28,025	56,051
Materials, supplies, and chemicals	27,010	18,773	45,783
Repairs and maintenance	24,118		24,118
State utility tax	12,528		12,528
Testing	3,106		3,106
Utilities	20,002		20,002
Other	9,464	541	10,005
Total operating expenses	<u>229,696</u>	<u>185,802</u>	<u>415,498</u>
Operating income	<u>47,540</u>	<u>(11,325)</u>	<u>36,215</u>
Nonoperating revenues (expenses):			
Interest income	34	13	47
Total nonoperating revenues (expenses)	<u>34</u>	<u>13</u>	<u>47</u>
Change in net position	47,574	(11,312)	36,262
Total net position-beginning	<u>1,292,431</u>	<u>133,955</u>	<u>1,426,386</u>
Total net position-ending	<u>\$ 1,340,005</u>	<u>\$ 122,643</u>	<u>\$ 1,462,648</u>

The accompanying notes and independent auditor's report are an integral part of the financial statements.

**CITY OF ST. JOSEPH
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Water System	Natural Gas System	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 273,944	\$ 172,887	\$ 446,831
Payments to suppliers	(103,175)	(106,554)	(209,729)
Payments to employees for services and benefits	(97,721)	(84,814)	(182,535)
Net cash provided by operating activities	73,048	(18,481)	54,567
Cash flows from capital and related financing activities:			
Purchase and construction of capital assets (net)	(138,196)		(138,196)
Net cash used for capital and related financing activities	(138,196)	—	(138,196)
Cash flows from investing activities:			
Interest on investments	34	13	47
Net cash provided by investing activities	34	13	47
Net change in cash and cash equivalents	(65,114)	(18,468)	(83,582)
Cash and cash equivalents, beginning of year	461,805	158,076	619,881
Cash and cash equivalents, end of year	\$ 396,691	\$ 139,608	\$ 536,299
<i>Reconciliation of operating income to net cash provided (used) by operating activities:</i>			
Operating income (loss)	\$ 47,540	\$ (11,325)	\$ 36,215
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	39,391	1,321	40,712
Change in assets and liabilities:			
Receivables (net)	(3,295)	(1,590)	(4,885)
Inventories	110	(61)	49
Deferred outflows of resources	(2,600)	(2,444)	(5,044)
Accounts and other payables	(8,098)	(4,382)	(12,480)
Total adjustments	25,508	(7,156)	18,352
Net cash provided by operating activities	\$ 73,048	\$ (18,481)	\$ 54,567

The accompanying notes and independent auditor's report are an integral part of the financial statements.

CITY OF ST. JOSEPH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – Summary of Significant Accounting Policies

A. Reporting Entity

The City of St. Joseph (the “City”) was incorporated October 14, 1958. The City was chartered under Section 6-18-101, *Tennessee Code Annotated*. The City operates under the Uniform City Manager Commission Charter, as amended, and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, water, natural gas, parks and recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America, applied to governmental units as promulgated by the Governmental Auditing Standards Board (GASB).

B. Government-Wide and Fund Financial Statements

Government-wide financial statements consist of a statement of net position and a statement of activities. These financial statements report all of the non-fiduciary activities of the primary government. Governmental activities are normally supported by taxes and intergovernmental revenues whereas business-type activities rely mainly on fees and charges for services.

The statement of net position presents the financial condition of the governmental activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City’s governmental activities. Direct expenses are those that are clearly identifiable with a specific program or function. Program revenues include charges for goods or services and operating and capital grants and contributions. Revenues that are not classified as program revenues are presented as general revenues and include all taxes.

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. Nonmajor funds are aggregated and presented in a single column.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred. 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 requirements have been satisfied.

Amounts reported as program revenues include charges to customers for goods, services, fines and forfeitures, operating grants and contributions, and capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF ST. JOSEPH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(Continued)

NOTE 1 – Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when the resources are measurable and available. Measurable means the amount can be determined and available means collectible within a certain period or soon thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after year-end. Expenditures are recognized when the liability is incurred. Debt service expenditures, compensated absences, and other long-term commitments are recorded when the payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds. The effect of inter-fund activity has been removed from the government-wide financial statements. Eliminations should be made to remove the “doubling-up” effect of internal activities reported for various functions.

A fund is defined as a fiscal accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary. The City only uses the governmental and proprietary categories.

The City reports the following major governmental funds:

General Fund – The General Fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Tennessee.

The City reports the following major proprietary funds. These activities are accounted for in such a manner as to show a profit or loss similar to comparable private enterprises.

Water System Fund – The Water System Fund accounts for the activities of the water department, which operates and maintains a water distribution system for residents and businesses on a user charge basis.

Natural Gas System Fund – The Natural Gas System Fund accounts for the activities of the natural gas department, which operates and maintains a gas system for residents and businesses on a user charge basis.

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

CITY OF ST. JOSEPH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(Continued)

NOTE 1 – Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

Cash and Cash Equivalents

The City considers cash and cash equivalents to include cash on hand, demand deposits, short-term investments with original maturities of three months or less and certificates of deposit. The City's deposits were insured or collateralized with securities held by the City or by its agent in the City's name (Category 1).

Receivables and Payables

Receivables consist of taxes and other miscellaneous receipts. Payables represent amounts owed to vendors for goods and services.

Inventory

Inventory consists of materials and supplies held for consumption or construction projects. Inventories are presented at the lower of cost or market.

Capital Assets

Capital assets are recorded at historical cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at estimated fair market value at the date of donation. The City's capitalization level is \$5,000 or more. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated, except for land, inexhaustible land improvements, and construction in progress. Depreciation is computed on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Years</u>
Buildings	25
Improvements	10 - 40
Equipment	5 - 20

Compensated Absences

Compensated absences are absences for which employees will be paid such as vacation. A liability for compensated absences is attributed to services already rendered and is not contingent on a specific event. All amounts have been recorded in those funds under accrued liabilities. All compensated absences are considered due and payable within one year.

CITY OF ST. JOSEPH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(Continued)

NOTE 1 – Summary of Significant Accounting Policies (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has one item that would qualify for reporting in this category. The item is reported in the government-wide Statement of Net Position and the proprietary Statement of Net Position. This item is for employer contributions made to the pension plan after the measurement date.

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 represents 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 currently has one item that would qualify for reporting in this category. The item is reported in the government-wide Statement of Net Position. This item is for unearned revenue concerning property taxes. This item is deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position

Net position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following net position categories:

- ♦ *Net investment in capital assets* – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Any significant unspent proceeds at year-end related to capital assets are reported as restricted funds.
- ♦ *Restricted* – Constraints imposed on net position by external creditors, grantors' contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation. There are no restricted assets for the year.
- ♦ *Unrestricted* – Net position that is not subject to external imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Commissioners.

When an expense is incurred for purposes for which there are both restricted and unrestricted net positions available, it is the City's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position. It is also the City's policy to apply expenses to committed, then assigned, and lastly unassigned net positions to the extent such amounts are available.

Budgetary Process

The City Commissioners adopt an annual budget for the General Fund, State Street Aid Fund, Drug Fund, and any other major funds. Budgets for other nonmajor funds are not required. All annual appropriations lapse at year-end.

CITY OF ST. JOSEPH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(Continued)

NOTE 1 – Summary of Significant Accounting Policies (continued)

Estimates

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are:

- ♦ Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or they are legally or contractually required to be maintained intact such as inventory. The "not in spendable form" criterion includes items that are not expected to be converted to cash.
- ♦ Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- ♦ Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinances or resolutions). Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts.
- ♦ Assigned – Amounts in the assigned fund balance classification are intended by City action to be used for specific purposes but do not meet the criteria to be classified as restricted or committed.
- ♦ Unassigned – Unassigned fund balance is the residual classification and includes all spendable amounts not contained in the other classifications.

Transfers

The City may transfer amounts between funds to insure continuing operations. These receivables and payables are classified as "due from other funds" or "due to other funds". There were no transfers between funds during the year and no due to/due from other funds at year-end.

Property Taxes

The City's property tax is levied for the current fiscal year each October 1, on the assessed value listed as of the prior January 1, for all real and personal property located in the City's legal boundaries. Property taxes are secured by a statutory lien, effective as of the original assessment date of January 2, and as such, an enforceable legal claim for the subsequent fiscal year's levy exists as of year-end.

CITY OF ST. JOSEPH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(Continued)

NOTE 1 – Summary of Significant Accounting Policies (continued)

Risk Management

The City is a member of the Tennessee Municipal League Risk Management (TML Pool) which is a nonprofit, risk sharing pool of Tennessee municipalities and local public agencies established by the Tennessee Municipal League. Participating members contribute premiums to the TML Pool based on that member’s exposure and underwriting standards. The City also carries commercial insurance for other risks of loss, including property coverage, boiler and machinery, excess liability, and employee health insurance. There have been no settlements for any of the past three years.

Pensions

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

NOTE 2 – Capital Assets

Capital asset activity for the fiscal year was as follows:

Governmental activities:	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements & Adjustments</i>	<i>Ending Balance</i>
Depreciable assets:				
Buildings	\$ 179,048	\$ —	\$ —	\$ 179,048
Improvements	540,780			540,780
Machinery and equipment	952,253	29,589		981,842
	<u>1,672,081</u>	<u>29,589</u>	<u>—</u>	<u>1,701,670</u>
Land (nondepreciable)	48,133			48,133
Total capital assets	<u>1,720,214</u>	<u>29,589</u>	<u>—</u>	<u>1,749,803</u>
Less accumulated depreciation:				
Buildings	169,591	767		170,358
Improvements	309,853	17,786		327,639
Machinery and equipment	776,622	35,003		811,625
Total accumulated depreciation	<u>1,256,066</u>	<u>53,556</u>	<u>—</u>	<u>1,309,622</u>
Total capital assets, net	<u>\$ 464,148</u>	<u>\$ (23,967)</u>	<u>\$ —</u>	<u>\$ 440,181</u>

CITY OF ST. JOSEPH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(Continued)

NOTE 2 – Capital Assets (continued)

Business-type activities:	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements & Adjustments</i>	<i>Ending Balance</i>
Depreciable assets:				
Buildings	\$ 360,931	\$ —	\$ —	\$ 360,931
Improvements	1,495,087			1,495,087
Plant and equipment	855,735			855,735
Machinery and equipment	194,755	138,196		332,951
	<u>2,906,508</u>	<u>138,196</u>	<u>—</u>	<u>3,044,704</u>
Land (nondepreciable)	4,926			4,926
Total capital assets	<u>2,911,434</u>	<u>138,196</u>	<u>—</u>	<u>3,049,630</u>
Less accumulated depreciation:				
Buildings	248,195	5,717		253,912
Improvements	764,246	25,258		789,504
Plant and equipment	855,735			855,735
Machinery and equipment	172,432	9,737		182,169
Total accumulated depreciation	<u>2,040,608</u>	<u>40,712</u>	<u>—</u>	<u>2,081,320</u>
Total capital assets, net	<u>\$ 870,826</u>	<u>\$ 97,484</u>	<u>\$ —</u>	<u>\$ 968,310</u>

Depreciation expense was charged to functions for the fiscal year as follows:

Functions	Amounts
Governmental activities:	
General government	\$ 6,549
Public safety	35,892
Highways and streets	1,422
Public works	4,000
Parks and recreation	5,693
Total depreciation expense	<u>\$ 53,556</u>
Business-type activities:	
Water system	\$ 39,391
Natural Gas system	1,321
Total depreciation expense	<u>\$ 40,712</u>

NOTE 3 – Coronavirus Pandemic

The United States encountered a coronavirus pandemic which adversely affected the nation. As a result, the operations of federal, state, and local governments were modified to ensure the safety of citizenry as well as employees. The City received \$122,988 from the Federal Coronavirus State and Local Fiscal Recovery Fund (ARPA) to minimize the impact of this outbreak.

CITY OF ST. JOSEPH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(Continued)

NOTE 4 – Deposits

The City’s cash and cash equivalents were held by financial institutions which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Participating banks determine the aggregate balance of their public fund accounts for the City. The amount of collateral required to secure these public deposits must be equal to 105% of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure. All carrying amounts of deposit were covered by federal depository insurance.

The City’s deposits are categorized to give an indication of the level of risk assumed by the City at June 30, 2023. These categories are described as follows:

- Category 1 – Insured or collateralized with securities held by the City or by its agent in the City’s name.
- Category 2 – Collateralized with securities held by the pledging financial institution’s trust department or agent in the City’s name.
- Category 3 – Uncollateralized.

There was no Category 2 or Category 3 credit risk at June 30, 2023.

NOTE 5 – Bonds and Long-term Debt

The City has issued Series 2012 Capital Outlay Bonds due in semi-annual installments of principal and/or interest at 3.87% through August 1, 2024. The City has issued a note payable as direct borrowings for public safety equipment in monthly installments of principal and interest at 6.60%. The City’s General Fund was used to liquidate the capital outlay bonds and equipment debt.

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

	<i>Capital Outlay Bonds</i>	<i>Equipment Debt</i>	<i>Governmental Activities Total Long-term Debt</i>
Balance-beginning of the year	\$ 53,000	\$ 11,157	\$ 64,157
Add: Equipment debt			-
Less: Activity on debt	(17,000)	(5,075)	(22,075)
Balance-end of the year	\$ 36,000	\$ 6,082	\$ 42,082

CITY OF ST. JOSEPH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(Continued)

NOTE 5 – Bonds and Long-term Debt (continued)

Debt service requirements on long-term debt at June 30, 2023, are as follows:

<u>Year Ending June 30</u>	<u>Capital Outlay Bonds</u>		<u>Notes from Direct Borrowings</u>	
	<u>Principal Maturities</u>	<u>Interest Payable</u>	<u>Principal Maturities</u>	<u>Interest Payable</u>
2024	\$ 18,000	\$ 1,045	\$ 2,944	\$ 401
2025	18,000	348	3,138	207
Totals	36,000	1,393	6,082	608
Less: portion due within one year	(18,000)	(1,045)	(2,944)	(401)
Long-term debt	<u>\$ 18,000</u>	<u>\$ 348</u>	<u>\$ 3,138</u>	<u>\$ 207</u>

NOTE 6 – Date of Management’s Review

Management has evaluated all events through the date of the auditor’s report, the date that the financial statements were available to be issued, and determined there are no subsequent events that require disclosure.

NOTE 7 – General Information about the Pension Plan

A. Plan description

Employees of the City are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov.Retirement/Boards-and- Governance/Reporting-and-1vestment-Policies>.

B. Benefits provided

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

CITY OF ST. JOSEPH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(Continued)

NOTE 7 – General Information about the Pension Plan (continued)

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.

C. Employees covered by Benefit Terms

As of June 30, 2023, the City had 4 active employees participating in the Pension Plan.

D. 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. The City 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, the employer contributions for the City were \$11,085 based on a rate of 6.50 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's 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.

E. Deferred Outflows of Resources Related to Pension

For the year ended June 30, 2023, the City reported deferred outflows of resources related to pensions of \$11,085 which pertains to the employer contributions.

F. Payable to the Pension Plan

At June 30, 2023, the City reported a payable of \$1,464 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

G. Participation in the Pension Plan

The City began participation in the Pension Plan effective July 1, 2022. Therefore, related information and schedules are not available during the first year of participation which is fiscal year ended June 30, 2023. Unavailable information consists of Actuarial report, Actuarial assumptions, Mortality rates, Changes in assumptions, Long-term expected rate of return, Discount rate, Sensitivity of the net pension liability (asset) to changes in the discount rate, and Deferred inflows of resources. Unavailable schedules consist of Long-term expected real rate of return by asset class and target allocation, Changes in the net pension liability (asset), Deferred inflows of resources related to the pension plan, Schedule of changes in net pension liability (asset) and related ratios, and the Schedule of contributions and related notes.

**COMBINING AND INDIVIDUAL NONMAJOR FUND
FINANCIAL STATEMENTS AND SCHEDULE**

**CITY OF ST. JOSEPH
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2023**

	<u>Special Revenue Fund</u>		<u>Total Other Governmental Funds</u>
	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	
ASSETS			
Cash and cash equivalents	\$ 4,753	\$ 5,311	\$ 10,064
Total assets	<u>\$ 4,753</u>	<u>\$ 5,311</u>	<u>\$ 10,064</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ —	\$ —	\$ —
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances			
Restricted for:			
Municipal streets	4,753		4,753
Drug fund		5,311	5,311
Unassigned			—
Total fund balances	<u>4,753</u>	<u>5,311</u>	<u>10,064</u>
Total liabilities and fund balances	<u>\$ 4,753</u>	<u>\$ 5,311</u>	<u>\$ 10,064</u>

The accompanying notes and independent auditor's report are an integral part of the financial statements.

CITY OF ST. JOSEPH
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Special Revenue Fund</u>		<u>Total Other Governmental Funds</u>
	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	
REVENUES			
Intergovernmental			
Gas 1989 tax	\$ 2,207	\$ —	\$ 2,207
Gas 3 cent tax	4,076		4,076
Gasoline and motor fuel tax	10,919		10,919
Gas 2017 tax	7,123		7,123
Fines, forfeitures, and penalties		5,561	5,561
Total revenues	<u>24,325</u>	<u>5,561</u>	<u>29,886</u>
EXPENDITURES			
Highways and streets	26,928		26,928
Drug enforcement		250	250
Total expenditures	<u>26,928</u>	<u>250</u>	<u>27,178</u>
Net change in fund balances	<u>(2,603)</u>	<u>5,311</u>	<u>2,708</u>
Fund balances—beginning	<u>7,356</u>	<u>—</u>	<u>7,356</u>
Fund balances—ending	<u><u>\$ 4,753</u></u>	<u><u>\$ 5,311</u></u>	<u><u>\$ 10,064</u></u>

The accompanying notes and independent auditor's report are an integral part of the financial statements.

CITY OF ST. JOSEPH
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL
STATE STREET AID
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary Basis)</u>	<u>Final Budget—</u> <u>Positive</u> <u>(Negative)</u>
Revenues:				
Gas 1989 tax	\$ 2,000	\$ 2,000	\$ 2,207	\$ 207
Gas 3 cent tax	4,000	4,000	4,076	76
Gasoline and motor fuel tax	12,000	12,000	10,919	(1,081)
Gas 2017 tax	7,000	7,000	7,123	123
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>24,325</u>	<u>(675)</u>
Expenditures				
Current operations:				
Materials	5,000	5,000	4,325	675
Repairs and maintenance	2,000	2,000	—	2,000
Street lights and signs	300	300	2,776	(2,476)
Fuel	1,000	1,000	3,345	(2,345)
Utilities	14,000	14,000	17,411	(3,411)
Total expenditures	<u>22,300</u>	<u>22,300</u>	<u>27,857</u>	<u>(5,557)</u>
Net change in fund balance	<u>\$ 2,700</u>	<u>\$ 2,700</u>	(3,532)	<u>\$ (6,232)</u>
Fund balances—beginning			<u>7,356</u>	
Fund balances—ending			<u>\$ 3,824</u>	

The accompanying notes and independent auditor's report are an integral part of the financial statements.

CITY OF ST. JOSEPH
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL
DRUG FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget—
			(Budgetary Basis)	Positive
				(Negative)
Revenues:				
Fines, forfeitures, and penalties	\$ 1,500	\$ 1,500	\$ 5,561	\$ 4,061
Total revenues	<u>1,500</u>	<u>1,500</u>	<u>5,561</u>	<u>4,061</u>
Expenditures:				
Current operations:				
Drug enforcement	1,250	1,250	250	1,000
Total expenditures	<u>1,250</u>	<u>1,250</u>	<u>250</u>	<u>1,000</u>
Net change in fund balance	<u>\$ 250</u>	<u>\$ 250</u>	5,311	<u>\$ 5,061</u>
Fund balances—beginning			—	
Fund balances—ending			<u>\$ 5,311</u>	

The accompanying notes and independent auditor's report are an integral part of the financial statements.

FINANCIAL SCHEDULE SECTION

CITY OF ST. JOSEPH
SCHEDULE OF DEBT SERVICE REQUIREMENTS-
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
JUNE 30, 2023

Fiscal Year Ending June 30	Governmental Activities		Business-Type Activities	
	Total Long-term Liabilities		Revenue Bonds	
	Principal Maturities	Interest Payable	Principal Maturities	Interest Payable
2024	20,944	1,446		
2025	21,138	555		
Totals	<u>\$ 42,082</u>	<u>\$ 2,001</u>	<u>\$ —</u>	<u>\$ —</u>

The accompanying notes and independent auditor's report are an integral part of the financial statements.

CITY OF ST. JOSEPH
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
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>Balance July 1, 2022</u>	<u>New Debt Issued</u>	<u>Paid and/or Matured</u>	<u>Balance June 30, 2023</u>
Governmental Activities:								
<u>Payable through Debt Service</u>								
Notes Payable								
Public Safety Equipment	\$ 8,845	6.60%	3/1/22	3/1/25	\$ 8,845	\$ —	\$ 2,763	\$ 6,082
Bonds Payable								
Capital Outlay Bonds, Series 2012	\$ 180,000	3.87%	8/7/12	8/1/24	53,000		17,000	36,000
Total Debt Payable					<u>\$ 61,845</u>	<u>\$ —</u>	<u>\$ 19,763</u>	<u>\$ 42,082</u>

The accompanying notes and independent auditor's report are an integral part of the financial statements.

CITY OF ST. JOSEPH
SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

Tax Year	Balance June 30, 2022	Property Tax Levied	Anticipated Current Year Levy	Collections and Adjustments	Balance June 30, 2023
2023	\$ —	\$ —	\$ 68,610	\$ —	\$ 68,610
2022		66,731		(60,993)	5,738
2021	6,008			(2,119)	3,889
2020	2,848			180	3,028
2019	1,937			115	2,052
2018	2,071			729	2,800
2017	1,775			169	1,944
2016	2,767			136	2,903
Total	<u>\$ 17,406</u>	<u>\$ 66,731</u>	<u>\$ 68,610</u>	<u>\$ (61,783)</u>	<u>\$ 90,964</u>

Notes: All uncollected delinquent taxes have been filed, as required, with the Lawrence County's Clerk and Master.

CITY OF ST. JOSEPH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2023

Federal Agency Pass-Through Agency Program Title	Federal Assistance Listings Number	Identifying Number	Expenditures
<u>U.S. Department of the Treasury</u>			
<i>Pass-Through - Tennessee Department of Finance</i>			
ARPA - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$ 122,998
Total Expenditures of Federal Awards			<u>122,998</u>

Note 1 - Basis of Presentation: The schedule is prepared using the modified accrual basis of accounting.

Note 3 - Coronavirus Fiscal Recovery Fund

OTHER FINANCIAL SCHEDULE SECTION

CITY OF ST. JOSEPH
SCHEDULE OF PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
JUNE 30, 2023

<u>Tax Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections & Adjustments</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
2022	66,731	60,993	91.40%		60,993	91.40%	5,738	8.60%
2021	66,154	60,146	90.92%	2,119	62,265	94.12%	3,889	5.88%
2020	64,113	59,240	92.40%	1,845	61,085	95.28%	3,028	4.72%
2019	63,796	61,379	96.21%	365	61,744	96.78%	2,052	3.22%
2018	61,868	59,366	95.96%	(298)	59,068	95.47%	2,800	4.53%
2017	61,535	59,730	97.07%	(139)	59,591	96.84%	1,944	3.16%
2016	61,447	58,680	95.50%	(136)	58,544	95.28%	2,903	4.72%
2015	61,103	57,410	93.96%	3,693	61,103	100.00%	—	0.00%
2014	60,992	59,094	96.89%	1,898	60,992	100.00%	—	0.00%
2013	60,701	54,153	89.21%	6,548	60,701	100.00%	—	0.00%

Taxes are assessed as of January 1 and are due on October 1 of each year. Taxes become delinquent after February 28 of the following year and a penalty of 2% accrues on the first day of each month that taxes remain delinquent up to a maximum of 24%.

CITY OF ST. JOSEPH
SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS
LAST TEN FISCAL YEARS
JUNE 30, 2023

<u>Tax Year</u>	<u>Rate</u>	<u>Assessments</u>
2022	0.4638	14,386,951
2021	0.7280	9,087,190
2020	0.7280	8,806,990
2019	0.7280	8,763,332
2018	0.7280	8,498,820
2017	0.7280	8,453,593
2016	0.7280	8,441,094
2015	0.7400	8,256,866
2014	0.7400	8,241,741
2013	0.7400	8,203,297

**CITY OF ST. JOSEPH
SCHEDULE OF UTILITY STATISTICAL DATA
JUNE 30, 2023**

WATER SYSTEM	RATES	
RESIDENTIAL AND COMMERCIAL	INSIDE CITY	OUTSIDE CITY
0 - 1,250 gallons minimum	\$12.00	\$19.00
Over 1,250 gallons	\$12.00 plus \$2.25 per thousand gallons	\$19.00 plus \$2.50 per thousand gallons

All rates are subject to the applicable state sales tax rates.

Average Number of Customers for:
Water Residential and Commercial 545

GAS SYSTEM	RATES	
INSIDE CITY	OUTSIDE CITY	
Residential	\$1.40 per Hundred Cubic Feet	\$1.40 per Hundred Cubic Feet
Commercial	\$1.40 per Hundred Cubic Feet	\$1.40 per Hundred Cubic Feet
Industrial	\$1.40 per Hundred Cubic Feet	\$1.40 per Hundred Cubic Feet
Minimum Fee \$5.00		

Average Number of Customers for:
Gas Residential and Commercial 271

**CITY OF ST. JOSEPH
CITY OFFICIALS
As of June 30, 2023**

Elected Officials

Mayor
Vice-Mayor
Commissioner

Mr. Roger Carter
Ms. Beverly White
Mr. Marty Passarella

Departments

City Manager & Financial Oversight

Joan Nelson

COMPLIANCE AND INTERNAL CONTROL

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

To the Honorable Mayor and Commissioners
City of St. Joseph, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Joseph, Tennessee, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of St. Joseph, Tennessee's basic financial statements and have issued our report thereon dated December 8, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items #2023-001, that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of St. Joseph, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item #2023-002.

City of St. Joseph, Tennessee's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of St. Joseph, Tennessee's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. City of St. Joseph, Tennessee's 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hunt & Associates
Florence, Alabama
December 8, 2023

**CITY OF ST. JOSEPH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023**

Section I—Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	___ Yes <u>X</u> No
• Significant deficiencies identified that are not considered to be material weaknesses?	<u>X</u> Yes ___ No
Noncompliance material to financial statements noted?	___ Yes <u>X</u> No

Section II—Findings

2023-001

Separation of Duties:

Condition: The City has a limited number of employees and is unable to provide appropriate separation of duties. Accounting functions are performed by the same employees.

Criteria: Internal controls should be in place to provide optimum separation of duties based on available resources.

Cause: There is a limited number of personnel for certain functions.

Effect: Because of the failure to provide appropriate separation of duties, internal controls may be compromised and errors could occur.

Recommendation: The duties should be separated as much as possible and alternative controls should be used to compensate for lack of separation. The governing body could provide some of these controls.

View of Responsible Officials and Management's Corrective Action Plan: See Page 45.

2023-002

Budgeting Compliance:

Condition: The City's General Fund and State Street Aid Fund actual expenditures exceeded budgeted appropriations.

Criteria: Internal controls should be in place to ensure actual expenditures do not exceed budgeted appropriations.

Cause: There is a limited number of personnel for certain functions and monitoring.

Effect: Because of the failure to provide acceptable budgeting functions, the City could be in violation of federal and state laws and regulations.

Recommendation: A budget to actual expenditure report should be reviewed periodically to ensure that actual expenditures do not exceed the budget. The governing body could amend the budget.

View of Responsible Officials and Management's Corrective Action Plan: See Page 45.

**SCHEDULE OF DISPOSITION OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

Prior Year Finding Number	Finding Title	Status/Current Year Finding Number
2022-001	Separation of Duties (original finding #2015-001)	Repeated/ 2023-001

City of St. Joseph

409 N. Main Street • P.O. Box 37 • St. Joseph, Tennessee 38481

MEMORANDUM

Date: 12/1/2023

To: Randall L. Hunt

From: Joan Nelson

Re: 2022-2023 Audit Findings

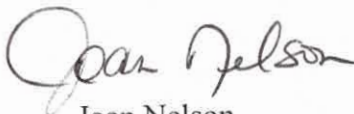
Management Corrective Action Plan

Separation of Duties:

A complete separation of duties is not possible due to the small size of the office staff (only 2 office employees) and limited resources for this small City. We are continuing to monitor office responsibilities and separate duties to the extent possible among personnel and the governing body. We have updated internal control policies and procedures to increase the degree of separation of duties as of this audit report date.

Budgeting Compliance:

The City will monitor actual vs budgeted expenditure reports periodically and the governing body will amend the budget as appropriate. We have updated policies and procedures as of this audit report date.



Joan Nelson
City Manager