

**CITY OF MCEWEN, TENNESSEE**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**JUNE 30, 2023**

CITY OF MCEWEN, TENNESSEE  
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## **INTRODUCTORY SECTION**

**CITY OF MCEWEN, TENNESSEE**  
**DIRECTORY**  
June 30, 2023

**BOARD OF ALDERMEN**  
John Etheridge, Vice-Mayor  
Dewayne Ross  
Kim Moultrie  
Heather Leegan  
Basel Hooper

**MANAGEMENT TEAM**  
Brad Rachford, Mayor  
Vickie Ethridge, City Recorder  
Eran Davis, CMFO

**INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

ATA, PLLC  
Jackson, Tennessee

## **FINANCIAL SECTION**



## Independent Auditor's Report

Honorable Brad Rachford, Mayor  
Members of the Board of Aldermen  
City of McEwen, 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 McEwen, Tennessee (the City) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In 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 McEwen, Tennessee, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and budgetary comparison information for the general, drug, and sanitation funds 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 City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### Auditor's Responsibilities for the Audit of the Financial Statements

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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension-related schedules 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's basic financial statements. The supplementary and other information, as listed in the tables contents, 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 supplementary and other information 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 introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinion section 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* have also issued our report dated June 6, 2024 on our consideration of the City of McEwen's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 City of McEwen internal control over financial reporting and compliance.

*ATA, PLLC*

Jackson, Tennessee  
June 6, 2024

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of McEwen, Tennessee, 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. Comparative analyses of key elements of total governmental funds and total enterprise funds have been provided.

### **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$11.86 million (net position). Of this amount \$1.85 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balance of \$1.56 million. This was a decrease of \$236 thousand, or (13.18%), from the prior year's fund balance. 44.31% of the ending fund balances were unassigned and available for current use by the City.
- The City's total debt obligations decreased by \$133 thousand during the current fiscal year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of the following components:

1. Government-wide financial statements
2. Fund financial statements and
3. Notes to the financial statements.
4. This report also contains required supplementary information and 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 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, liabilities, and deferred inflows/outflows of resources 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 City is improving or deteriorating.
- The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, 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, compensated absences, etc.).

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

City are made up of the water and sewer fund. The government-wide financial statements can be found on pages 11 to 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 City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City 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, the focus is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental fund financial statements and reconciliations can be found on pages 14 to 17 of this report.

The City maintains four governmental funds. Information is presented separately in the Balance Sheet – Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for the general, sanitation and drug funds which are considered to be major funds. Data from the other governmental fund, the state street aid fund, is presented separately.

**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 the water and sewer fund.
- *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a government's various functions. The City currently has no internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund, which is considered to be a major fund of the City. The basic proprietary fund financial statements can be found on pages 18 to 21 of this report.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 to 42 of this report.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's schedule of changes in net pension liability

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(asset) and related ratios based on participation in the public employee pension plan of TCRS, and schedule of contributions based on participation in the public employee pension plan of TCRS and notes.

Supplementary and other information is included in this report. The introductory section includes the directory and the supplementary and other information section includes the individual fund statements and schedules along with supplementary schedules of selected financial and other information.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Statement of Net Position** - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$11.86 million at the close of the most recent fiscal year. The largest portion of the City's net position (76.88%) reflects its net investment in capital assets (e.g., land, buildings, machinery, equipment and vehicles), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (7.55%) represents resources that are subject to restrictions on how they may be used. The remaining balance of net position representing unrestricted net position (15.57%) may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the City as a whole.

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 1,986,234	\$ 2,436,338	\$ 946,338	\$ 950,688	\$ 2,932,572	\$ 3,387,026
Capital assets	583,186	575,570	11,886,479	12,221,428	12,469,665	12,796,998
Total assets	2,569,420	3,011,908	12,832,817	13,172,116	15,402,237	16,184,024
Deferred outflows of resources	321,961	223,924	202,748	80,849	524,709	304,773
Long-term liabilities	165,021	215,116	3,358,272	3,438,868	3,523,293	3,653,984
Other liabilities	39,738	307,488	67,476	73,784	107,214	381,272
Total liabilities	204,759	522,604	3,425,748	3,512,652	3,630,507	4,035,256
Deferred inflows of resources	406,107	375,943	34,111	90,664	440,218	466,607
Net position:						
Net investment in capital assets	423,239	365,161	8,532,279	8,784,522	8,955,518	9,149,683
Restricted for:						
Net pension asset	17,412	191,163	10,964	68,475	28,376	259,638
State Street aid	56,594	75,870	-	-	56,594	75,870
Drug fund enforcement	656,083	819,585	-	-	656,083	819,585
Sanitation	154,063	176,032	-	-	154,063	176,032
Unrestricted	973,124	709,474	1,032,463	796,652	2,005,587	1,506,126
Total net position	\$ 2,280,515	\$ 2,337,285	\$ 9,575,706	\$ 9,649,649	\$ 11,856,221	\$ 11,986,934

## MANAGEMENT'S DISCUSSION AND ANALYSIS

During the current fiscal year, the City's net position decreased by \$131 thousand. The decrease in net position was primarily due to the significant change in the pension-related accounts which resulted in additional expense in comparison with the prior year.

**Statement of Activities** - Expenses in the governmental activities exceeded revenues by \$962 thousand. In the business-type activities expenses exceeded revenues by \$74 thousand. General government revenues of \$905 thousand helped to offset the deficit resulting in an decrease in net position of \$57 thousand for the governmental activities.

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 356,770	\$ 552,413	\$ 1,491,925	\$ 1,399,953	\$ 1,848,695	\$ 1,952,366
Operating grants and contributions	296,165	-	-	-	296,165	-
Capital grants and contributions	-	-	4,464	478,580	4,464	478,580
General revenues:						
Property taxes	132,063	127,738	-	-	132,063	127,738
Other taxes	747,321	745,147	-	-	747,321	745,147
Other sources	25,360	74,354	250	560	25,610	74,914
Total revenues	<u>1,557,679</u>	<u>1,499,652</u>	<u>1,496,639</u>	<u>1,879,093</u>	<u>3,054,318</u>	<u>3,378,745</u>
Expenses:						
General government	850,467	468,156	-	-	850,467	468,156
Public safety	512,439	539,585	-	-	512,439	539,585
Public works	130,317	116,793	-	-	130,317	116,793
Streets	76,320	87,307	-	-	76,320	87,307
Parks and recreation	44,906	21,621	-	-	44,906	21,621
Water and sewer	-	-	1,570,582	1,378,503	1,570,582	1,378,503
Total expenses	<u>1,614,449</u>	<u>1,233,462</u>	<u>1,570,582</u>	<u>1,378,503</u>	<u>3,185,031</u>	<u>2,611,965</u>
Increase in net position	(56,770)	266,190	(73,943)	500,590	(130,713)	766,780
Net position - beginning	<u>2,337,285</u>	<u>2,071,095</u>	<u>9,649,649</u>	<u>9,149,059</u>	<u>11,986,934</u>	<u>11,220,154</u>
Net position - ending	<u>\$ 2,280,515</u>	<u>\$ 2,337,285</u>	<u>\$ 9,575,706</u>	<u>\$ 9,649,649</u>	<u>\$ 11,856,221</u>	<u>\$ 11,986,934</u>

The current year net position decrease was largely due to \$474 thousand decrease in capital grants and contributions from the business-type activities.

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

### Governmental funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, 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. The general fund accounts for 80.75% of governmental fund revenues. General fund balance was \$690 thousand at the end of the current fiscal year which is a \$32 thousand decrease from the prior year. The only significant change was related to a decrease in other revenue from the prior year. The entire fund balance amount is considered unassigned and available to meet the needs of the City.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The other governmental funds include the following:

- The drug fund has an ending fund balance of \$656 thousand which is a \$164 thousand decrease from the prior year. This was due to a decrease of fines/forfeitures, expenses decreased for current year but did not offset the decrease in fines/forfeitures.
- The sanitation fund has an ending fund balance of \$154 thousand which is a \$22 thousand decrease from the prior year. This was largely related to a decrease of miscellaneous revenue in the current fiscal year.
- The state street aid fund has an ending fund balance of \$57 thousand which is a \$19 thousand decrease from the prior year. This was largely related to annual expenses continuing to exceed revenues in the current fiscal year.

### **Proprietary funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the proprietary funds was \$9.58 million with unrestricted net position of \$1.03 million. There was an overall decrease in net position for proprietary funds of \$74 thousand during the current year due mainly to a significant decrease in grant contributions from the previous year.

### **Budgetary highlights**

The City made no revisions to the original appropriations approved by the Board of Aldermen.

Actual revenues exceeded final budgeted amounts by \$7 thousand in the general fund. Significant variances are as follows:

- Local option sales tax revenue exceeded budgeted amounts by \$13 thousand.
- Building Permit revenue was budgeted for \$25 thousand, but only \$15 thousand was received during the year.

Expenditures were \$47 thousand more than budgeted amounts in the general fund. Significant variances were as follows:

- Police salary expenditures were budgeted for \$304 thousand and only \$172 thousand was actually spent during the year.
- General government salaries were \$74 thousand over budget during the year.
- General government park expenses were \$78 thousand over budget during the year.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of fiscal year 2023, the City had invested \$12.47 million net of accumulated depreciation in a variety of capital assets. As allowed by GASB Statement No. 34, the City did not report infrastructure (streets, sidewalks, bridges etc.) due to the City being a Phase 3 government. The City is only required to report infrastructure going forward as of July 1, 2003. Additional information on the City's capital assets can be found in Note 4C.

### **Long-term debt**

At the end of the current fiscal year, the City had total debt outstanding of \$3.51 million. Of this amount, \$204 thousand is comprised of a capital outlay note. The remaining \$3.31 million of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds). Additional information on the City's long-term debt can be found in Note 4E.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

- The unemployment rate for Humphreys County as of June 2023 was 3.7%. The state's average unemployment rate was 3.2%. The national average unemployment rate was 3.6%. All of the rates are from labor statistics released in June 2023.
- The national inflation rate was 3.00% and was likely similar in the region. This figure is from statistics released in June 2023.

All of these factors were considered in preparing the City of McEwen's budget for the 2024 fiscal year.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of McEwen's finances for citizens, taxpayers, customers, investors, creditors, and all others with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Recorder, City of McEwen, P.O. Box 236, McEwen, TN 37101.

## **BASIC FINANCIAL STATEMENTS**



**CITY OF MCEWEN, TENNESSEE**  
**STATEMENT OF NET POSITION**  
June 30, 2023

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,353,896	\$ 703,132	\$ 2,057,028
Certificates of deposit	312,360	-	312,360
Receivables:			
Taxes (net of uncollectibles of \$745)	139,872	-	139,872
Accounts (net of uncollectibles of \$78,078 and \$2,662, respectively)	31,426	200,766	232,192
Other	7,033	-	7,033
Intergovernmental - nongrant	124,235	-	124,235
Inventory	-	31,476	31,476
Restricted assets:			
Net pension asset	17,412	10,964	28,376
Capital assets not being depreciated:			
Land	51,200	5,496	56,696
Capital assets net of accumulated depreciation:			
Buildings and improvements	180,965	-	180,965
Equipment	351,021	-	351,021
Water and sewer plant	-	11,880,983	11,880,983
<b>Total assets</b>	<b><u>2,569,420</u></b>	<b><u>12,832,817</u></b>	<b><u>15,402,237</u></b>
<b>Deferred Outflows of Resources</b>			
Pension related	<b><u>321,961</u></b>	<b><u>202,748</u></b>	<b><u>524,709</u></b>

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

**CITY OF MCEWEN, TENNESSEE**  
**STATEMENT OF NET POSITION**  
June 30, 2023

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Liabilities</b>			
Accounts payable	28,301	-	28,301
Accrued expenses	11,437	5,854	17,291
Accrued interest	-	2,733	2,733
Customer deposits	-	58,889	58,889
Long-term liabilities:			
Compensated absences	5,074	4,072	9,146
Due within one year	51,969	84,421	136,390
Due in excess of one year	107,978	3,269,779	3,377,757
<b>Total liabilities</b>	<b>204,759</b>	<b>3,425,748</b>	<b>3,630,507</b>
<b>Deferred inflows of resources</b>			
Deferred revenue - property taxes	134,493	-	134,493
Unearned revenue - grants	217,446	-	217,446
Pension related	54,168	34,111	88,279
<b>Total deferred inflows of resources</b>	<b>406,107</b>	<b>34,111</b>	<b>440,218</b>
<b>Net Position</b>			
Net investment in capital assets	423,239	8,532,279	8,955,518
Restricted for:			
Net pension asset	17,412	10,964	28,376
State Street Aid	56,594	-	56,594
Drug fund enforcement	656,083	-	656,083
Sanitation	154,063	-	154,063
Unrestricted	973,124	1,032,463	2,005,587
<b>Total net position</b>	<b>\$ 2,280,515</b>	<b>\$ 9,575,706</b>	<b>\$ 11,856,221</b>

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

**CITY OF MCEWEN, 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		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 850,467	\$ 14,676	\$ -	\$ -	\$ (835,791)	\$ -	\$ (835,791)
Public safety	512,439	167,480	296,165	-	(48,794)	-	(48,794)
Public works	130,317	117,591	-	-	(12,726)	-	(12,726)
Streets	76,320	57,023	-	-	(19,297)	-	(19,297)
Parks and recreation	44,906	-	-	-	(44,906)	-	(44,906)
Total governmental activities	<u>1,614,449</u>	<u>356,770</u>	<u>296,165</u>	<u>-</u>	<u>(961,514)</u>	<u>-</u>	<u>(961,514)</u>
Business-type activities							
Water & Sewer	<u>1,570,582</u>	<u>1,491,925</u>	<u>-</u>	<u>4,464</u>	<u>-</u>	<u>(74,193)</u>	<u>(74,193)</u>
Total business-type activities	<u>\$ 1,570,582</u>	<u>\$ 1,491,925</u>	<u>\$ -</u>	<u>\$ 4,464</u>	<u>-</u>	<u>(74,193)</u>	<u>(74,193)</u>
<b>General revenues:</b>							
Property taxes - levied for general government					132,063	-	132,063
In lieu of property taxes					19,907	-	19,907
Sales taxes					628,357	-	628,357
Alcoholic beverage taxes					69,496	-	69,496
Business taxes					23,333	-	23,333
Income taxes					6,228	-	6,228
Other sources					20,750	-	20,750
Unrestricted interest income					<u>4,610</u>	<u>250</u>	<u>4,860</u>
Total general revenues					<u>904,744</u>	<u>250</u>	<u>904,994</u>
<b>Change in net position</b>					<b>(56,770)</b>	<b>(73,943)</b>	<b>(130,713)</b>
Net position - beginning					<u>2,337,285</u>	<u>9,649,649</u>	<u>11,986,934</u>
Net position - ending					<u>\$ 2,280,515</u>	<u>\$ 9,575,706</u>	<u>\$ 11,856,221</u>

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

**CITY OF MCEWEN, TENNESSEE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2023

	General	Drug	Sanitation	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 814,947	\$ 361,716	\$ 139,079	\$ 38,154	\$ 1,353,896
Certificates of deposit	-	312,360	-	-	312,360
Receivables:					
Taxes (net of allowance for uncollectibles of \$745)	139,872	-	-	-	139,872
Accounts (net of allowance for uncollectible of \$78,078 and \$479, respectively)	15,495	-	15,931	-	31,426
Other	7,033	-	-	-	7,033
Intergovernmental - nongrant	115,154	-	-	9,081	124,235
Due from other funds	-	-	-	13,434	13,434
Accrued interest receivable	-	-	-	-	-
<b>Total assets</b>	<b>\$ 1,092,501</b>	<b>\$ 674,076</b>	<b>\$ 155,010</b>	<b>\$ 60,669</b>	<b>\$ 1,982,256</b>
<b>Liabilities, deferred inflows of resources and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 8,570	\$ 15,656	\$ -	\$ 4,075	\$ 28,301
Accrued expenses	8,153	2,337	947	-	11,437
Due to other funds	13,434	-	-	-	13,434
Unearned revenue - grants	217,446	-	-	-	217,446
<b>Total liabilities</b>	<b>247,603</b>	<b>17,993</b>	<b>947</b>	<b>4,075</b>	<b>270,618</b>
<b>Deferred inflows of resources</b>					
Unavailable revenue - court	15,495	-	-	-	15,495
Unavailable revenue - property tax	139,872	-	-	-	139,872
<b>Total deferred inflows of resources</b>	<b>155,367</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>155,367</b>
<b>Fund balances</b>					
Restricted for:					
State Street Aid	-	-	-	56,594	56,594
Drug Fund	-	656,083	-	-	656,083
Sanitation	-	-	154,063	-	154,063
Unassigned	689,531	-	-	-	689,531
<b>Total fund balances</b>	<b>689,531</b>	<b>656,083</b>	<b>154,063</b>	<b>56,594</b>	<b>1,556,271</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,092,501</b>	<b>\$ 674,076</b>	<b>\$ 155,010</b>	<b>\$ 60,669</b>	<b>\$ 1,982,256</b>

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

**CITY OF MCEWEN, 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 (Pages 11 and 12) are different because:

Fund balance - total governmental funds (Page 14)	\$ 1,556,271
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.	583,186
Receivables not available to pay for current expenditures and, therefore, are unavailable in the funds.	20,874
Long-term liabilities, including notes, bonds and leases payable and accrued interest, are not due in the current period and, therefore, are not reported in the funds.	(159,947)
Net pension asset (liability) is not a financial resource (use) in the current period and, therefore, is not reported in the funds.	17,412
Deferred outflows of resources related to pensions in which the consumption of net position will occur in future periods, therefore, it is not reported in the funds	321,961
Deferred inflows of resources related to pensions in which the acquisition of net position will occur in future periods, therefore, it is not reported in the funds	(54,168)
Payables, such as accrued vacation payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(5,074)</u>
Net position - governmental activities (Page 12)	<u>\$ 2,280,515</u>

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

**CITY OF MCEWEN, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Fiscal Year Ended June 30, 2023

	<u>General</u>	<u>Drug</u>	<u>Sanitation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Taxes	\$ 657,587	\$ -	\$ -	\$ -	\$ 657,587
Licenses and permits	14,676	-	-	-	14,676
Intergovernmental	528,424	-	-	57,023	585,447
Charges for services	-	-	117,591	-	117,591
Fines	40,989	123,126	-	-	164,115
Other	8,647	191	202	21	9,061
Total revenues	<u>1,250,323</u>	<u>123,317</u>	<u>117,793</u>	<u>57,044</u>	<u>1,548,477</u>
<b>Expenditures:</b>					
Current:					
General government	1,063,870	-	-	-	1,063,870
Public safety	217,968	286,819	-	-	504,787
Public works	-	-	139,762	76,320	216,082
Total expenditures	<u>1,281,838</u>	<u>286,819</u>	<u>139,762</u>	<u>76,320</u>	<u>1,784,739</u>
<b>Net change in fund balance</b>	<b>(31,515)</b>	<b>(163,502)</b>	<b>(21,969)</b>	<b>(19,276)</b>	<b>(236,262)</b>
Fund balance - beginning	<u>721,046</u>	<u>819,585</u>	<u>176,032</u>	<u>75,870</u>	<u>1,792,533</u>
Fund balance - ending	<u>\$ 689,531</u>	<u>\$ 656,083</u>	<u>\$ 154,063</u>	<u>\$ 56,594</u>	<u>\$ 1,556,271</u>

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

**CITY OF MCEWEN, TENNESSEE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES 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 (Page 13) are different because:

Net change in fund balance - total governmental funds (Page 16)	\$ (236,262)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.	7,618
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds (property taxes and court fines).	5,243
The issuance of long-term debt (e.g., bonds, leases) 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 and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	50,461
Pension expense in the statement of activities does not provide current financial resources, and thus, is not reported as revenue in the funds.	71,825
The payment of pension contributions consumes current financial resources in the governmental funds. These transactions do not have any effect on the net position, but are considered deferred outflows of resources.	44,712
Some expenses reported in the statement of activities, such as accrued leave or pension adjustments, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(367)</u>
Change in net position of governmental activities (Page 13)	<u>\$ (56,770)</u>

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

**CITY OF MCEWEN, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
June 30, 2023

	<b>Water &amp; Sewer Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 703,132
Accounts receivable - trade (net allowance of \$2,662)	200,766
Inventory	31,476
Total current assets	<u>935,374</u>
Noncurrent assets:	
Restricted assets:	
Net pension asset	<u>10,964</u>
Capital assets:	
Land	5,496
Utility plant in service	16,838,393
Less accumulated depreciation	<u>(4,957,410)</u>
Total capital assets (net of accumulated depreciation)	<u>11,886,479</u>
Total noncurrent assets	<u>11,897,443</u>
Total assets	<u>12,832,817</u>
<b>Deferred Outflows of Resources:</b>	
Pension related	<u>202,748</u>
<b>Total assets and deferred outflows of resources</b>	<b><u>\$ 13,035,565</u></b>

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



**CITY OF MCEWEN, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
June 30, 2023

	<b>Water &amp; Sewer Fund</b>
<b>LIABILITIES</b>	
Current liabilities:	
Accrued expenses	\$ 5,854
Accrued interest	2,733
Customer deposits	58,889
Current maturities of long-term debt	84,421
Total current liabilities	<u>151,897</u>
Noncurrent liabilities:	
Bonds payable (less current maturities)	3,239,779
Capital outlay notes (less current maturities)	30,000
Compensated absences	4,072
Total noncurrent liabilities	<u>3,273,851</u>
<b>Deferred Inflows of Resources</b>	
Pension related	<u>34,111</u>
Total liabilities and deferred inflows of resources	<u>3,459,859</u>
<b>NET POSITION</b>	
Net investment in capital assets	8,532,279
Restricted for net pension asset	10,964
Unrestricted	<u>1,032,463</u>
Total net position	<u>9,575,706</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b><u>\$ 13,035,565</u></b>

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

**CITY OF MCEWEN, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
For the Fiscal Year Ended June 30, 2023

	<b>Water &amp; Sewer Fund</b>
<b>Operating revenues:</b>	
Customer charges	\$ 1,433,919
Tap fees	36,300
Other operating revenues	21,706
Total operating revenues	<u>1,491,925</u>
<b>Operating expenses:</b>	
Operating and maintenance:	
Salaries	280,268
Employee benefits	80,725
Testing and samples	23,824
Utilities	110,427
Repair and maintenance	254,820
Chemical supplies	41,500
Operating supplies	191,519
Clothing and uniforms	1,740
Vehicle expense	25,703
Insurance	43,205
Sales tax	61,290
Miscellaneous	26,529
ARPA	<u>2,000</u>
Total operating and maintenance	1,143,550
Provision for depreciation	<u>350,474</u>
Total operating expenses	<u>1,494,024</u>
Operating income (loss)	<u>(2,099)</u>
Nonoperating revenues (expenses):	
Interest income	250
Interest expense	<u>(76,558)</u>
Total nonoperating revenues (expenses)	<u>(76,308)</u>
Income (loss) before capital contributions	<u>(78,407)</u>
Capital contributions:	
Grant-related contributions	<u>4,464</u>
<b>Change in net position</b>	<b>(73,943)</b>
Total net position - beginning	<u>9,649,649</u>
Total net position - ending	<u><u>\$ 9,575,706</u></u>

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

**CITY OF MCEWEN, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
For the Fiscal Year Ended June 30, 2023

	<b>Water &amp; Sewer Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from consumers	\$ 1,468,682
Cash paid to suppliers of goods and services	(1,157,523)
Cash paid to employees for services	(360,993)
Net cash provided (used) by operating activities	<u>(49,834)</u>
<b>Cash flows from capital and related financing activities:</b>	
Capital contributed by customers and grants	4,464
Principal paid on debt	(82,706)
Interest paid on bonds, notes, and leases	(77,088)
Construction and acquisition of plant	(15,525)
Net cash provided (used) by capital and related financing activities	<u>(170,855)</u>
<b>Cash flows from investing activities</b>	
Interest and unrealized change in investments	<u>250</u>
Net cash provided (used) by investing activities	<u>250</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(220,439)</b>
Cash and cash equivalents - beginning of year	<u>923,571</u>
Cash and cash equivalents - end of year	<u><u>\$ 703,132</u></u>
Cash and cash equivalents	
Unrestricted cash and cash equivalents on deposit	\$ 703,132
Total cash and cash equivalents	<u><u>\$ 703,132</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (2,099)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	350,474
Changes in assets and liabilities:	
Accounts receivable	(16,794)
Due to/due from other funds	(256,806)
Pension changes	(120,941)
Accounts payable	(4,903)
Compensated absences	2,110
Accrued expenses	(7,324)
Customer deposits	<u>6,449</u>
Net cash provided (used) by operating activities:	<u><u>\$ (49,834)</u></u>

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

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

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
Taxes:				
Property and utility taxes	\$ 129,000	\$ 129,000	\$ 130,185	\$ 1,185
Local option sales tax	420,000	420,000	432,672	12,672
Wholesale beer tax	75,000	75,000	68,746	(6,254)
Business tax	18,000	18,000	23,333	5,333
Cable TV franchise fee	2,000	2,000	2,651	651
	<u>644,000</u>	<u>644,000</u>	<u>657,587</u>	<u>13,587</u>
Licenses and permits:				
Building permits	25,000	25,000	14,676	(10,324)
	<u>25,000</u>	<u>25,000</u>	<u>14,676</u>	<u>(10,324)</u>
Intergovernmental:				
State - TVA in lieu of tax	20,000	20,000	19,907	(93)
ARPA grant revenue	300,000	300,000	296,165	(3,835)
State - excises tax	4,000	4,000	6,228	2,228
State - sales tax	190,000	190,000	195,685	5,685
State beer tax	800	800	750	(50)
State - sportsbetting	1,400	1,400	2,680	1,280
State - petroleum special	3,500	3,500	3,009	(491)
State - Telecom	500	500	-	(500)
Police salary supplement	4,000	4,000	4,000	-
	<u>524,200</u>	<u>524,200</u>	<u>528,424</u>	<u>4,224</u>
Fines and forfeitures:				
Fines - city court	40,000	40,000	40,989	989
	<u>40,000</u>	<u>40,000</u>	<u>40,989</u>	<u>989</u>
Other:				
Miscellaneous	10,000	10,000	8,208	(1,792)
Interest	350	350	439	89
	<u>10,350</u>	<u>10,350</u>	<u>8,647</u>	<u>(1,703)</u>
Total revenues	<u>\$ 1,243,550</u>	<u>\$ 1,243,550</u>	<u>\$ 1,250,323</u>	<u>\$ 6,773</u>

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

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

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Expenditures:</b>				
Current:				
General government:				
Salaries	61,950	61,950	135,527	73,577
City judge	9,000	9,000	9,000	-
Employee benefits	253,341	253,341	249,107	(4,234)
Planning commission	7,000	7,000	8,972	1,972
Memberships and dues	2,000	2,000	3,826	1,826
Utilities	20,000	20,000	21,207	1,207
Telephone	10,000	10,000	8,681	(1,319)
Professional services	20,000	20,000	25,273	5,273
Repairs and maintenance	31,000	31,000	44,236	13,236
Supplies and materials	13,000	13,000	20,399	7,399
Gas, oil, and tires	20,000	20,000	19,935	(65)
Animal control	5,000	5,000	5,000	-
Park expenses	21,000	21,000	98,606	77,606
Court fees	1,500	1,500	1,125	(375)
General Sessions Court	8,300	8,300	7,672	(628)
Building inspector	16,200	16,200	16,950	750
E911 communications	23,824	23,824	25,324	1,500
Miscellaneous	19,925	19,925	22,720	2,795
Insurance	50,000	50,000	44,035	(5,965)
Capital outlay	300,000	300,000	296,275	(3,725)
Total general government	<u>893,040</u>	<u>893,040</u>	<u>1,063,870</u>	<u>170,830</u>
Public safety:				
Police:				
Salary	303,835	303,835	171,639	(132,196)
Operating supplies	17,500	17,500	20,154	2,654
Drug task force	-	-	1,096	1,096
	<u>321,335</u>	<u>321,335</u>	<u>192,889</u>	<u>(128,446)</u>

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

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

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Fire protection and control:				
Fire Department	20,000	20,000	25,079	5,079
	20,000	20,000	25,079	5,079
 Total public safety	341,335	341,335	217,968	(123,367)
 Total expenditures	1,234,375	1,234,375	1,281,838	47,463
 <b>Net change in fund balance</b>	<b>9,175</b>	<b>9,175</b>	<b>(31,515)</b>	<b>(40,690)</b>
 Fund balance - beginning			721,046	
 Fund balance - ending			<u>\$ 689,531</u>	

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

**CITY OF MCEWEN, TENNESSEE**  
**DRUG FUND**  
**STATEMENT OF OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2023

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
Fines and forfeitures	\$ 400,000	\$ 400,000	\$ 123,126	\$ (276,874)
Interest income	200	200	191	(9)
Total revenues	<u>400,200</u>	<u>400,200</u>	<u>123,317</u>	<u>(276,883)</u>
<b>Expenditures:</b>				
Current:				
Public safety:				
Police:				
Salaries	87,380	87,380	90,631	3,251
Operating supplies	50,000	50,000	48,343	(1,657)
Vehicle expenses	10,000	10,000	5,445	(4,555)
Police cars	115,000	115,000	70,790	(44,210)
Insurance	26,420	26,420	32,037	5,617
Case agent	80,000	80,000	-	(80,000)
Miscellaneous	<u>25,000</u>	<u>25,000</u>	<u>39,573</u>	<u>14,573</u>
Total expenditures	<u>393,800</u>	<u>393,800</u>	<u>286,819</u>	<u>(106,981)</u>
<b>Net changes in fund balance</b>	<b><u>\$ 6,400</u></b>	<b><u>\$ 6,400</u></b>	<b><u>\$ (163,502)</u></b>	<b><u>\$ (169,902)</u></b>
Fund balance - beginning			<u>819,585</u>	
Fund balance - ending			<u>\$ 656,083</u>	

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

**CITY OF MCEWEN, TENNESSEE**  
**SANITATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2023

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
Charges for services				
Garbage collection fees	\$ 120,000	\$ 120,000	\$ 117,591	\$ (2,409)
Interest	100	100	61	(39)
Miscellaneous	-	-	141	141
Total revenues	<u>120,100</u>	<u>120,100</u>	<u>117,793</u>	<u>(2,307)</u>
<b>Expenditures:</b>				
Current:				
Sanitation:				
Salaries	42,848	42,848	41,102	(1,746)
Employee benefits	5,400	5,400	12,090	6,690
Insurance	10,000	10,000	10,000	-
Repairs and maintenance	15,000	15,000	1,415	(13,585)
Gas, oil, and tires	12,000	12,000	16,289	4,289
Debt service:				
Principal	61,752	61,752	50,462	(11,290)
Interest	-	-	8,404	8,404
Total expenditures	<u>147,000</u>	<u>147,000</u>	<u>139,762</u>	<u>(7,238)</u>
<b>Net changes in fund balance:</b>	<b>\$ (26,900)</b>	<b>\$ (26,900)</b>	<b>(21,969)</b>	<b>\$ 4,931</b>
Fund balance - beginning			<u>176,032</u>	
Fund balance - ending			<u>\$ 154,063</u>	

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



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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of McEwen, Tennessee (City) operates under a Mayor-Alderman form of government and provides the following services as authorized by its charter: public safety (police and fire), building inspection, street maintenance, sanitation, water and sewerage, and general administrative services. As required by generally accepted accounting principles, these financial statements present all funds, which comprise the City. There are no other component units, entities for which the City is considered financially accountable, which should be included.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statements of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. 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 the given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 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.

**C. Measurement Focus, Basis of Accounting, and Financial Statements Presentation**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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 recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund 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

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current period. For this purpose, the government considers revenues to be available if they are collected within sixty 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise taxes, sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (sixty days). All other revenue items are considered to be measurable and available only when cash is received by the government.

The City 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 drug fund is used to account for the City's drug enforcement operation.

The sanitation fund is used to account for the City's sanitation operations.

The City reports the following major proprietary funds:

The water and sewer fund accounts for the activities associated with the water distribution system, the sewage treatment plant, the sewage pumping stations, and collection system.

The financial statements of the City are prepared in accordance with generally accepted accounting principles. 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 City are described here with Note 1.

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 the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer funds are charges for sales to customers and service. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover

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the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

**D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance**

**Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition. State statutes authorize the City 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.

**Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services. These receivables and payables are classified as "due from/to other funds" or "advances to/from other funds" on the balance sheet.

Property tax receivables are shown net of an allowance for uncollectibles. The allowance is recorded based on the past history of collections. Court fines receivable are also shown net of an allowance for uncollectibles. The allowance is recorded based on management's estimate of what portion of the outstanding receivable will be collected in the future.

The allowances for uncollectible customer accounts recorded in the proprietary funds are based on past history of uncollectible accounts and management's analysis of current accounts. Bad debts in the proprietary funds are recorded by the direct write-off method.

Property taxes are levied and the tax bills are mailed annually on October 1. The taxes are due and payable from the following October through February in the year succeeding the tax levy. A lien attaches by statute to property on January 1 for unpaid taxes from the prior year's levy. Taxes uncollected by March 1, the year after due, are to be submitted to the Chancery Court for collection and considered delinquent. Tax liens become perfected at the time the court enters judgment.

**Inventories and Prepaid Items**

Inventories are valued at lower of average cost or market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

**Capital Assets**

Capital assets, including property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of three years. All land, construction in progress, and works of art will be included. The water and sewer fund also uses a threshold of \$1,500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

# **CITY OF MCEWEN, TENNESSEE**

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Donated capital assets are recorded at estimated fair market value at the date of donation. The costs 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the City are depreciated using the straight-line method over the following useful lives:

Buildings	25 - 50 years
Distribution system	10 - 50 years
Vehicles	5 - 10 years
Equipment	5 - 10 years

### **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 City of McEwen's participation in the Public Employee Retirement Plan of The Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

### **Compensated Absences**

The vacation policy of the City allows for the earning of vacation up to a maximum of 120 hours. Upon termination of employment, employees receive payment for accumulated vacation days. Compensated absences are accrued when incurred in the government-wide and proprietary financial statements.

### **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 statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. 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, 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 Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of

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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 City currently has pension related items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The items that qualify for reporting as deferred inflow of resources in the fund statements are unavailable revenue and are disclosed on pages 14 and 33. In the government-wide statements, unavailable revenue – property taxes as noted on pages 12 and 33 and pension related items as noted on pages 12 and 42 are reported as deferred inflows of resources.

**Net Position Flow Assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) 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 City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**Fund Equity**

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City 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 terms that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

***Restricted fund balance***

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

***Committed fund balance***

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

***Assigned fund balance***

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

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***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.

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

**Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Net Position and the Government-wide Statement of Activities**

The reconciliation of the statement of revenues, expenditures, and changes in net position of governmental funds to the statement of activities includes a reconciliation between changes in net position - 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 these assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$7,618 difference are as follows:

Capital outlay	\$ 131,198
Depreciation expense	<u>(123,580)</u>
Net adjustment to increase changes in net position - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 7,618</u>

Another element of that reconciliation explains that there are "revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this \$5,243 difference are as follows:

Change in unavailable revenues - court fines	\$ 3,365
Change in unavailable revenues - property taxes	<u>1,878</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 5,243</u>

**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. These include the general fund and the special revenue funds. The Board of Aldermen approves and appropriates the budgets for these funds annually. All annual appropriations lapse at fiscal year-end. As an extension of the formal budgetary process, the Board of Aldermen may transfer or appropriate additional funds for expenditures not anticipated at the time of budget adoption. The City's policy is to not allow expenditures to exceed budgetary amounts at the total fund expenditure level without obtaining additional appropriation approval from the Board.

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During the year the City exceeded the budgeted expenditures in the General fund by \$47 thousand and in the state street aid fund by \$9 thousand.

**NOTE 4 - DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

**Custodial Credit Risk**

The City's policies limit deposits and investments to those instruments allowed by applicable state laws and described below. 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 collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the City's agent in the City's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the City 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 at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2023, none of the City's deposits were exposed to custodial credit risk.

**B. Receivables**

Receivables as of the year end for the government's individual major funds, including the applicable allowances for uncollectible accounts are as follows:

	General	Drug	Sanitation	Other Governmental	Water & Sewer	Total
Receivables:						
Property taxes	\$ 140,617	\$ -	\$ -	\$ -	\$ -	\$ 140,617
Accounts	93,094	-	16,410	-	203,428	312,932
Other	7,033	-	-	-	-	7,033
Intergovernmental - nongrant	<u>115,154</u>	<u>-</u>	<u>-</u>	<u>9,081</u>	<u>-</u>	<u>124,235</u>
Gross receivables	355,898	-	16,410	9,081	203,428	584,817
Less: Allowance						
for uncollectibles	<u>(78,344)</u>	<u>-</u>	<u>(479)</u>	<u>-</u>	<u>(2,662)</u>	<u>(81,485)</u>
Net total receivables	<u>\$ 277,554</u>	<u>\$ -</u>	<u>\$ 15,931</u>	<u>\$ 9,081</u>	<u>\$200,766</u>	<u>\$ 503,332</u>

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

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	Modified Accrual/ Unavailable	Accrual/ Unavailable
Delinquent property taxes receivable	\$ 5,379	\$ -
2023 property tax assessment	134,493	134,493
Court fines receivable	15,495	-
Total unavailable revenue	<u>\$ 155,367</u>	<u>\$ 134,493</u>

**C. Capital Assets**

Governmental activities capital asset changes for the year ended June 30, 2023 were as follows:

	Beginning Balance	Increases	Decreases	Reclassify	Ending Balance
Governmental activities:					
Capital assets, not being depreciated					
Land	\$ 46,200	\$ 5,000	\$ -	\$ -	\$ 51,200
Work-in-process	86,068	-	-	(86,068)	-
Total capital assets, not being depreciated	<u>132,268</u>	<u>5,000</u>	<u>-</u>	<u>(86,068)</u>	<u>51,200</u>
Capital assets, being depreciated					
Buildings and improvements	448,805	68,495		86,068	603,368
Equipment	1,197,900	57,703	-	-	1,255,603
Total capital assets, being depreciated	<u>1,646,705</u>	<u>126,198</u>	<u>-</u>	<u>86,068</u>	<u>1,858,971</u>
Less accumulated depreciation for:					
Buildings and improvements	400,106	22,295	-	2	422,403
Equipment	803,297	101,285	-	-	904,582
Total accumulated depreciation	<u>1,203,403</u>	<u>123,580</u>	<u>-</u>	<u>2</u>	<u>1,326,985</u>
Total capital assets, being depreciated, net	<u>443,302</u>	<u>2,618</u>	<u>-</u>	<u>86,066</u>	<u>531,986</u>
Governmental activities capital assets, net	<u>\$ 575,570</u>	<u>\$ 7,618</u>	<u>\$ -</u>	<u>\$ (2)</u>	<u>\$ 583,186</u>



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Business-type activities capital asset changes for the year ended June 30, 2023 were as follows:

	Beginning Balance	Increases	Decreases	Reclassify	Ending Balance
Business-type activities:					
Capital assets, not being depreciated					
Land	\$ 5,496	\$ -	\$ -	\$ -	\$ 5,496
Total capital assets, not being depreciated	5,496	-	-	-	5,496
Capital assets, being depreciated					
Utility plant	15,687,778	15,525	-	-	15,703,303
Equipment	1,135,090	-	-	-	1,135,090
Total capital assets, being depreciated	16,822,868	15,525	-	-	16,838,393
Less accumulated depreciation for:					
Utility plant	4,404,347	314,368	-	-	4,718,715
Equipment	202,589	36,106	-	-	238,695
Total accumulated depreciation	4,606,936	350,474	-	-	4,957,410
Total capital assets, being depreciated, net	12,215,932	(334,949)	-	-	11,880,983
Business-type activities capital assets, net	12,221,428	(334,949)	-	-	11,886,479
Total capital assets, net	\$ 12,796,998	\$ (327,331)	\$ -	\$ (2)	\$ 12,469,665

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

Governmental activities:	
General government	\$ 11,052
Public safety	60,675
Public works	37,058
Parks and Recreation	14,795
Total depreciation expense - governmental activities	\$ 123,580
Business-type activities:	
Water and sewer	\$ 350,474
Total depreciation expense - business-type activities	\$ 350,474

**D. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2023 is as follows:

Receivable Fund	Payable Fund	Amount
State Street Aid	General	\$ 13,434
Governmental activities - eliminated		(13,434)
Ending balance between government and business-type activities		\$ -

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The outstanding balance between funds are a result of State shared revenue received by the General Fund and needs to be transferred to the State Street Aid Fund.

There were no transfers in the current year.

**E. Long-term Debt**

Long-term debt of the proprietary funds at June 30, 2023, is comprised of the following:

Direct Borrowing Capital Outlay Payable:	
Sanitation capital outlay payable due annually at 2.99% through 2025	\$ 159,947
Revenue and Tax Refunding Bonds:	
Water and Sewer Revenue and Tax Refunding Bonds due serially at 4.875% through 2036	\$ 142,851
Water and Sewer Revenue and Tax Bonds due in monthly payments of \$10,868 at 2.125% through 2059	3,167,349
Direct Borrowing Capital Outlay Note:	
Capital outlay note payable to First Tennessee Bank due serially at 3.730% through 2026	<u>44,000</u>
Total Business-type Activities	<u>\$ 3,514,147</u>

The above outstanding note from direct borrowing contains provisions that in the event of default, the lender can exercise one of more of the following options: (1) Make all or any of the outstanding note payable balance 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 City to protect the lender's interest, and (4) Use any remedy allowed by state or federal law.

The annual requirements, by type of issue, to amortize all long-term debt outstanding except accrued annual leave at June 30, 2023 are as follows:

Year Ending June 30,	Bonds	Notes	Interest	Total
2024	\$ 70,421	\$ 65,969	\$ 79,633	\$ 216,023
2025	72,185	68,523	75,775	216,483
2026	73,999	69,455	71,801	215,255
2027	75,865	-	77,666	153,531
2028	77,786	-	66,106	143,892
2029 - 2033	419,754	-	299,706	719,460
2034 - 2038	428,047	-	245,765	673,812
2039 - 2043	441,515	-	199,645	641,160
2044 - 2048	490,965	-	150,195	641,160
2049 - 2053	545,950	-	95,210	641,160
2054 - 2058	607,092	-	33,734	640,826
2059	6,621	-	12	6,633
	<u>\$ 3,310,200</u>	<u>\$ 203,947</u>	<u>\$ 1,395,248</u>	<u>\$ 4,909,395</u>

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All significant debt covenants and restrictions as set forth in the bond agreements were complied with.

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital outlay note	\$ 210,409	\$ -	\$ 50,462	\$ 159,947	\$ 51,969
Compensated absences	4,707	367	-	5,074	-
	<u>\$ 215,116</u>	<u>\$ 367</u>	<u>\$ 50,462</u>	<u>\$ 165,021</u>	<u>\$ 51,969</u>
Business-type activities:					
Revenue Bonds	\$ 3,378,906	\$ -	\$ 68,706	\$ 3,310,200	\$ 70,421
Capital outlay note	58,000	-	14,000	44,000	14,000
Compensated absences	1,962	2,110	-	4,072	-
	<u>\$ 3,438,868</u>	<u>\$ 2,110</u>	<u>\$ 82,706</u>	<u>\$ 3,358,272</u>	<u>\$ 84,421</u>

The governmental fund used to liquidate compensated absences is the general fund.

**NOTE 5 - OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, auto liability, errors and omissions, and auto physical damage coverage. The City joined the Tennessee Municipal League Risk Pool (Pool), which is a public entity risk pool established in 1979 by the Tennessee Municipal League. The pool is a cooperative risk sharing arrangement that works in many ways like a traditional insurer. The City pays annual premiums to the Pool for its general liability, auto liability, real and personal property damage, workman's compensation, and errors and omissions policies. The Pool provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. The City's premiums are calculated based on its prior claims history. It is the policy of the City to purchase commercial insurance for the risks of employee dishonesty and excess liability. Settled claims have not exceeded this commercial coverage or the coverage provided by the Pool in any of the past three years.

**B. Contingent Liabilities and Losses**

The City is a defendant in various lawsuits; however, the outcome of these lawsuits is not presently determinable although legal counsel does not expect any possible liability to exceed the City's limits of insurance.

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

**C. Employee Retirement Systems and Pension Plans**

**Plan Description**

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

**Benefits Provided**

Tennessee Code Annotated, Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's 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.

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	10
Inactive employees entitled to but not yet receiving benefits	24
Active employees	11
Total Employees	<u>45</u>

**Contributions**

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The City

**CITY OF MCEWEN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

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 McEwen were \$44,712 based on a rate of 7.25% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept McEwen's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (Asset)**

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

**Actuarial Assumptions**

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

Inflation	2.25 percent
Salary Increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation
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:

**CITY OF MCEWEN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

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

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

**Changes in the Net Pension Liability (Asset)**

**CITY OF MCEWEN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
<b>Balance at 6/30/21</b>	\$ 1,711,885	\$ 1,971,523	\$ (259,638)
<b>Changes for the year:</b>			
Service cost	40,945	-	40,945
Interest	116,322	-	116,322
Differences between expected and actual experience	64,913	-	64,913
Changes in assumptions	-	-	-
Contributions- employer	-	39,613	(39,613)
Contributions- employees	-	27,936	(27,936)
Net investment income	-	(75,564)	75,564
Benefit payments, of employee contributions	(59,069)	(59,069)	-
Administrative expense	-	(1,067)	1,067
<b>Net changes</b>	<u>163,111</u>	<u>(68,151)</u>	<u>231,262</u>
<b>Balance at 6/30/22</b>	<u>\$ 1,874,996</u>	<u>\$ 1,903,372</u>	<u>\$ (28,376)</u>

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

The following presents the net pension liability (asset) of McEwen 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%)
McEwen's net pension liability (asset)	\$ 226,414	\$ (28,376)	\$ (238,630)

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Pension Expense**

For the year ended June 30, 2023, McEwen recognized pension expense of \$18,813.

**Deferred Outflows of Resources and Deferred Inflows of Resources.**

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

**CITY OF MCEWEN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2023

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 90,614	\$ 88,279
Net difference between projected and actual earnings on pension plan investments	5,798	-
Changes in assumptions	172,005	-
COLA contributions subsequent to the measurement date of June 30, 2022	211,580	-
Contributions subsequent to the measurement date of June 30, 2022	44,712	-
Total	<u>\$ 524,709</u>	<u>\$ 88,279</u>

The amount shown above for "Contributions subsequent to the measurement date as 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:

<b><u>Year Ended June 30:</u></b>	
2024	\$ 24,263
2025	31,205
2026	32,394
2027	81,462
2028	10,814
Thereafter	-

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, McEwen reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2023.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF MCEWEN, TENNESSEE**  
**Schedule of Changes in Net Pension Liability (Asset) and Related**  
**Ratios Based on Participation in the Public Employee Pension Plan of TCRS**  
Last Fiscal Year Ending June 30,

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>									
Service cost	\$ 40,945	\$ 36,789	\$ 38,923	\$ 36,870	\$ 35,867	\$ 35,739	\$ 33,451	\$ 33,128	\$ 34,453
Interest	116,322	104,194	100,344	87,400	85,417	78,848	77,667	75,662	69,491
Changes in benefit terms	-	-	-	-	-	-	-	-	-
Difference between actual and expected experience	64,913	(30,727)	(35,460)	83,169	(58,494)	(3,926)	(76,944)	(57,790)	4,790
Change of assumptions	-	234,312	-	-	-	47,393	-	-	-
Benefit payments, including refunds of employee contribution:	(59,069)	(66,093)	(31,071)	(30,826)	(42,053)	(20,586)	(20,841)	(28,342)	(21,931)
<b>Net change in total pension liability</b>	163,111	278,475	72,736	176,613	20,737	137,468	13,333	22,658	86,803
<b>Total pension liability - beginning</b>	1,711,885	1,433,410	1,360,674	1,184,061	1,163,324	1,025,856	1,012,523	989,865	903,062
<b>Total pension liability - ending (a)</b>	<u>\$ 1,874,996</u>	<u>\$ 1,711,885</u>	<u>\$ 1,433,410</u>	<u>\$ 1,360,674</u>	<u>\$ 1,184,061</u>	<u>\$ 1,163,324</u>	<u>\$ 1,025,856</u>	<u>\$ 1,012,523</u>	<u>\$ 989,865</u>
<b>Plan fiduciary net position</b>									
Contributions - employer	\$ 39,613	\$ 41,359	\$ 44,127	\$ 40,549	\$ 39,325	\$ 38,697	\$ 36,006	\$ 42,823	\$ 44,439
Contributions - employee	27,936	29,167	31,119	29,047	28,210	28,288	26,320	31,200	31,164
Net investment income	(75,564)	403,955	72,908	99,075	99,617	118,629	25,944	27,947	122,069
Benefit payments, including refunds of employee contributions	(59,069)	(66,093)	(31,071)	(30,826)	(42,053)	(20,586)	(20,841)	(28,342)	(21,931)
Administrative expense	(1,067)	(1,103)	(1,283)	(1,245)	(1,278)	(1,188)	(1,059)	(771)	(582)
<b>Net change in plan fiduciary net position</b>	(68,151)	407,285	115,800	136,600	123,821	163,840	66,370	72,857	175,159
<b>Plan fiduciary net position - beginning</b>	1,971,523	1,564,238	1,448,438	1,311,838	1,188,017	1,024,177	957,807	884,950	709,791
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 1,903,372</u>	<u>\$ 1,971,523</u>	<u>\$ 1,564,238</u>	<u>\$ 1,448,438</u>	<u>\$ 1,311,838</u>	<u>\$ 1,188,017</u>	<u>\$ 1,024,177</u>	<u>\$ 957,807</u>	<u>\$ 884,950</u>
<b>Net Pension Liability (Asset) - ending (a) - (b)</b>	<u>\$ (28,376)</u>	<u>\$ (259,638)</u>	<u>\$ (130,828)</u>	<u>\$ (87,764)</u>	<u>\$ (127,777)</u>	<u>\$ (24,693)</u>	<u>\$ 1,679</u>	<u>\$ 54,716</u>	<u>\$ 104,915</u>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	101.51%	115.17%	109.13%	106.45%	110.79%	102.12%	99.84%	94.60%	89.40%
<b>Covered payroll</b>	\$ 558,719	\$ 583,344	\$ 622,382	\$ 580,935	\$ 564,197	\$ 565,751	\$ 526,406	\$ 626,069	\$ 623,283
<b>Net pension liability (asset) as a percentage of covered payroll</b>	-5.08%	-44.51%	21.02%	-15.11%	-22.65%	-4.36%	0.32%	8.74%	16.83%

**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 improvements.

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.

**CITY OF MCEWEN, TENNESSEE**  
**Schedule of Contributions Based on Participation in the Public Employee**  
**Pension Plan of TCRS and Notes**  
Last Fiscal Year Ending June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Actuarially determined contribution	\$ 44,439	\$ 42,823	\$ 36,006	\$ 38,697	\$ 39,325	\$ 40,549	\$ 44,127	\$ 41,359	\$ 39,613	\$ 44,712
Contributions in relation to the actuarially determined contributions	<u>44,439</u>	<u>42,823</u>	<u>36,006</u>	<u>38,697</u>	<u>39,325</u>	<u>40,549</u>	<u>44,127</u>	<u>41,359</u>	<u>39,613</u>	<u>44,712</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	\$ 623,823	\$ 626,069	\$ 526,406	\$ 565,751	\$ 564,197	\$ 580,935	\$ 622,382	\$ 583,344	\$ 558,719	\$ 616,721
Contributions as a percentage covered-employee payroll	7.12%	6.84%	6.84%	6.84%	6.97%	6.98%	7.09%	7.09%	7.09%	7.25%

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 fiscal year 2023 were calculated based on the June 30, 2021 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by Year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
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; decrease 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; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decrease the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

*See independent auditor's report.*

## **SUPPLEMENTARY AND OTHER INFORMATION SECTION**

**CITY OF MCEWEN, TENNESSEE**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
June 30, 2023

	<u>State Street Aid</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 38,154
Receivables:	
Intergovernmental	9,081
Due from other funds	<u>13,434</u>
<b>Total assets</b>	<b><u>\$ 60,669</u></b>
 <b>Liabilities and Fund Balances</b>	
Liabilities:	
Accounts payable	<u>\$ 4,075</u>
Total liabilities	<u>4,075</u>
 <b>Fund balances:</b>	
Restricted	<u>56,594</u>
Total fund balance	<u>56,594</u>
<b>Total liabilities and fund balance</b>	<b><u>\$ 60,669</u></b>

*See independent auditor's report.*

**CITY OF MCEWEN, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS**  
For the Fiscal Year Ended June 30, 2023

	<b>State Street Aid</b>
<b>Revenues:</b>	
State revenue	\$ 57,023
Other	21
Total revenues	<u>57,044</u>
<b>Expenditures:</b>	
Current:	
Public works	<u>76,320</u>
Total expenditures	<u>76,320</u>
<b>Net change in fund balance</b>	<b>(19,276)</b>
Fund balance - beginning	<u>75,870</u>
Fund balance - ending	<u>\$ 56,594</u>

*See independent auditor's report.*

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

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
Intergovernmental:				
Gas 1989	\$ 5,000	\$ 5,000	\$ 4,561	\$ (439)
Gas 3 cent	10,000	10,000	8,499	(1,501)
Gasoline and motor fuel tax	35,000	35,000	29,221	(5,779)
Gas 2017	17,000	17,000	14,742	(2,258)
Interest	50	50	21	(29)
Total revenues	<u>67,050</u>	<u>67,050</u>	<u>57,044</u>	<u>(10,006)</u>
<b>Expenditures:</b>				
Current:				
Public works:				
Highways and streets:				
Street lights	40,000	40,000	42,591	2,591
Road and bridge repairs	25,000	25,000	24,675	(325)
Miscellaneous expenses	<u>2,000</u>	<u>2,000</u>	<u>9,054</u>	<u>7,054</u>
Total expenditures	<u>67,000</u>	<u>67,000</u>	<u>76,320</u>	<u>9,320</u>
 <b>Net changes in fund balance</b>	 <b><u>\$ 50</u></b>	 <b><u>\$ 50</u></b>	 <b><u>(19,276)</u></b>	 <b><u>\$ (19,326)</u></b>
Fund balance - beginning			<u>75,870</u>	
Fund balance - ending			<u>\$ 56,594</u>	

*See independent auditor's report.*

**CITY OF MCEWEN, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE**  
For the Fiscal Year Ended June 30, 2023

<u>Tax Levy for Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Beginning Outstanding Taxes</u>	<u>Additions and Adjustments</u>	<u>Collections</u>	<u>Ending Outstanding Taxes</u>	<u>Outstanding Taxes Being Collected by Chancery Court</u>
2022	0.48	131,748	\$ -	\$ 131,748	\$ 129,113	\$ 2,635	\$ -
2021	0.48	129,524	2,108	-	875	1,233	1,233
2020	0.48	127,674	888	-	271	617	617
2019	0.56	123,485	702	-	52	650	650
2018	0.56	122,378	665	-	39	626	626
2017	0.56	121,405	210	-	24	186	186
2016	0.63	121,458	294	-	117	177	177
2015	0.63	121,265	273	-	273	-	-
2014	0.63	120,879	51	-	51	-	-
2013	0.63	116,955	20	(20)	-	-	-
			<u>\$ 5,211</u>	<u>\$ 131,728</u>	<u>\$ 130,815</u>	<u>\$ 6,124</u>	<u>\$ 3,489</u>

Above balances represented as follows

Considered current revenue	-
Allowance for uncollectible accounts	745
Unavailable revenue	<u>5,379</u>
	6,124

2023 tax levy due October 1, 2023 considered as unavailable revenue

	<u>134,493</u>
Total taxes receivable	<u><u>\$ 140,617</u></u>

See independent auditor's report.



**CITY OF MCEWEN, TENNESSEE**  
**SCHEDULE OF UTILITY RATES IN FORCE**  
June 30, 2023

Number of accounts - June 30, 2023

Water	1,219
Sewer	710
Sanitation	854

Water Rates - Inside City Limits

First 1,500 gallons	23.05	Minimum
Next 1,000 gallons	6.10	Per thousand gallon
Next 1,000,000 gallons	6.28	Per thousand gallon

Water Rates - Outside City Limits

First 1,500 gallons	32.74	Minimum
Next 1,000 gallons	9.15	Per thousand gallon
Next 1,000,000 gallons	9.42	Per thousand gallon

Water Rates - Industrial

First 1,500 gallons	39.52	Minimum
Next 1,000 gallons	6.94	Per thousand gallon
Next 1,000,000 gallons	7.15	Per thousand gallon

Water Rates - Commercial

First 1,500 gallons	32.36	Minimum
Next 1,000 gallons	6.94	Per thousand gallon
Next 1,000,000 gallons	7.15	Per thousand gallon

Sewer Rates

194% of water rate

Sanitation Rates

Residential - inside City	10.00	Monthly
Residential - outside City	15.00	Monthly
Commercial	25.00	Monthly

*See independent auditor's report.*

**CITY OF MCEWEN, TENNESSEE**  
**SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS**  
**SCHEDULE OF LONG-TERM DEBT - GOVERNMENTAL FUNDS**  
June 30, 2023

Year Ended June 30,	Capital Outlay Note Sanitation Truck		Total Requirements		
	Principal	Interest	Principal	Interest	Total
2024	\$ 51,969	\$ 4,782	\$ 51,969	\$ 4,782	\$ 56,751
2025	53,523	3,229	53,523	3,229	56,752
2026	54,455	1,628	54,455	1,628	56,083
	<u>\$ 159,947</u>	<u>\$ 9,639</u>	<u>\$ 159,947</u>	<u>\$ 9,639</u>	<u>\$ 169,586</u>

See independent auditor's report.

**CITY OF MCEWEN, TENNESSEE**  
**SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS**  
**SCHEDULE OF LONG-TERM DEBT - PROPRIETARY FUNDS**  
**June 30, 2023**

Year Ended June 30,	Revenue and Tax Bond: JSDA - Rural Development Project 91-10		Capital Outlay Note Revenues and Taxes Series 2013		Revenue and Tax Bond: USDA - Rural Development Project 92-11		Total Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2024	\$ 8,899	\$ 6,761	\$ 14,000	\$ 1,380	\$ 61,522	\$ 66,710	\$ 84,421	\$ 74,851	\$ 159,272
2025	9,343	6,317	15,000	839	62,842	65,390	87,185	72,546	159,731
2026	9,808	5,852	15,000	280	64,191	64,041	88,999	70,173	159,172
2027	10,297	5,363	-	-	65,568	62,664	75,865	68,027	143,892
2028	10,811	4,849	-	-	66,975	61,257	77,786	66,106	143,892
2029	11,350	4,310	-	-	68,412	59,820	79,762	64,130	143,892
2030	11,915	3,745	-	-	69,880	58,352	81,795	62,097	143,892
2031	12,509	3,151	-	-	71,380	56,852	83,889	60,003	143,892
2032	13,133	2,527	-	-	72,911	55,321	86,044	57,848	143,892
2033	13,788	1,872	-	-	74,476	53,756	88,264	55,628	143,892
2034	14,475	1,185	-	-	76,074	52,158	90,549	53,343	143,892
2035	15,197	463	-	-	77,707	50,526	92,904	50,989	143,893
2036	1,326	5	-	-	79,374	48,858	80,700	48,863	129,563
2037	-	-	-	-	81,077	47,155	81,077	47,155	128,232
2038	-	-	-	-	82,817	45,415	82,817	45,415	128,232
2039	-	-	-	-	84,594	43,638	84,594	43,638	128,232
2040	-	-	-	-	86,409	41,823	86,409	41,823	128,232
2041	-	-	-	-	88,263	39,969	88,263	39,969	128,232
2042	-	-	-	-	90,157	38,075	90,157	38,075	128,232
2043	-	-	-	-	92,092	36,140	92,092	36,140	128,232
2044	-	-	-	-	94,068	34,164	94,068	34,164	128,232
2045	-	-	-	-	96,087	32,145	96,087	32,145	128,232
2046	-	-	-	-	98,149	30,083	98,149	30,083	128,232
2047	-	-	-	-	100,255	27,977	100,255	27,977	128,232
2048	-	-	-	-	102,406	25,826	102,406	25,826	128,232
2049	-	-	-	-	104,603	23,629	104,603	23,629	128,232
2050	-	-	-	-	106,848	21,384	106,848	21,384	128,232
2051	-	-	-	-	109,141	19,091	109,141	19,091	128,232
2052	-	-	-	-	111,483	16,749	111,483	16,749	128,232
2053	-	-	-	-	113,875	14,357	113,875	14,357	128,232
2054	-	-	-	-	116,318	11,914	116,318	11,914	128,232
2055	-	-	-	-	118,814	9,418	118,814	9,418	128,232
2056	-	-	-	-	121,364	6,868	121,364	6,868	128,232
2057	-	-	-	-	123,968	4,264	123,968	4,264	128,232
2058	-	-	-	-	126,628	1,270	126,628	1,270	127,898
2059	-	-	-	-	6,621	12	6,621	12	6,633
	<u>\$ 142,851</u>	<u>\$ 46,400</u>	<u>\$ 44,000</u>	<u>\$ 2,499</u>	<u>\$ 3,167,349</u>	<u>\$ 1,327,071</u>	<u>\$ 3,354,200</u>	<u>\$ 1,375,970</u>	<u>\$ 4,730,170</u>

See independent auditor's report.

**CITY OF MCEWEN, TENNESSEE**  
**SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE**  
For the Year Ended June 30, 2023

Description of Indebtness	Original amount of issue	Interest rate	Date of issue	Last maturity date	Outstanding 7/1/22	Issued during period	Paid and/or matured during period	Refunded during period	Outstanding 6/30/23
<b>Governmental Activities</b>									
Notes Payable									
Sanitation Truck - 2022	\$ 259,405	2.99%	September 1, 2021	September 1, 2025	\$ 210,409	\$ -	\$ 50,462	\$ -	\$ 159,947
<b>Business-Type Activities</b>									
Notes Payable									
Payable through Water and Sewer Fund									
Capital Outlay Note - Series 2013	\$ 150,000	3.73%	August 20, 2013	September 1, 2025	58,000	-	14,000	-	44,000
Bonds Payable									
Payable through Water and Sewer Fund									
Revenue and Tax Bonds - Project 91-10	\$ 270,000	4.88%	December 16, 1997	December 16, 2035	151,327	-	8,476	-	142,851
Revenue and Tax Bonds - Project 92-11	<u>3,447,000</u>	2.13%	September 20, 2018	August 20, 2058	<u>3,227,579</u>	-	<u>60,230</u>	-	<u>3,167,349</u>
Total Bonds Payable through Water and Sewer Fund	<u>\$ 3,717,000</u>				<u>3,378,906</u>	-	<u>68,706</u>	-	<u>3,310,200</u>
Total Long-term Debt	<u>\$ 4,126,405</u>				<u>\$ 3,647,315</u>	<u>\$ -</u>	<u>\$ 133,168</u>	<u>\$ -</u>	<u>\$ 3,514,147</u>

*See independent auditor's report.*

**CITY OF MCEWEN, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
For the Fiscal Year Ended June 30, 2023

	<u>AL Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
<b>Federal Grantor/Pass-Through Grantor</b>			
<b>U.S. Department of Treasury</b>			
Passed through State of Tennessee			
Coronavirus State and Local Fiscal Recovery Funds - ARPA	21.027		<u>296,165</u>
<b>U.S. Department of Housing and Urban Development</b>			
Passed through the Tennessee Department			
of Economic and Community Development			
Community Development Block Grants	14.228	Edison ID 13946	<u>4,464</u>
<b>Total Federal Assistance</b>			<b><u>\$ 300,629</u></b>
<b>State Grantor/Program Name</b>			
Police Salary Supplement			<u>4,000</u>
<b>Total State Assistance</b>			<b><u>\$ 4,000</u></b>

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards and state financial assistance include the award activity of the City under programs of the federal and state governments, respectively, for the year ended June 30, 2023. Because the schedule of expenditures of federal awards present only a selected portion of the operations of the City, they are not intended to and do not present the financial position, statement of activities, or cash flows of the City.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported on the schedule of expenditures of federal awards and state financial assistance are reported on the modified accrual basis of accounting. Certain amounts shown on the schedule of expenditures of federal awards represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

*See independent auditor's report.*

## **INTERNAL CONTROL AND COMPLIANCE SECTION**



## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

Members of the Board of Aldermen  
City of McEwen, 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 McEwen, Tennessee, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated June 6, 2024.

### **Report on Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not 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 a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a significant deficiency.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 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 matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2023-001.

### **City of McEwen's Response to Findings**

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

*ATA, PLLC*

Jackson, Tennessee  
June 6, 2024



**CITY OF MCEWEN, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Fiscal Year Ended June 30, 2023

**FINANCIAL STATEMENT FINDINGS**

**2023-001      Exceeding Budget Expenditures (Noncompliance and Significant Deficiency)**

Condition: The general fund had expenditures exceeding appropriations by \$47,463 and the state street aid fund had expenditures exceeding appropriations by \$9,320.

Criteria: Tennessee Code Annotated (TCA) 6-56-203 states “notwithstanding any other provision or law, no municipality may expend any monies regardless of their source except in accordance with a budget ordinance adopted under this section.”

Cause: The City failed to preemptively bring a budget amendment before the City Council that would cover the needed expenses.

Effect: The City failed to comply with the TCA 6-56-203 by expending monies that were not budgeted.

Recommendation: We recommend that all expenditures be authorized by the City's budget in the future. Potential budget overruns should be anticipated in advance so that appropriate action may be taken by the members of the City Council.

Response: The board does monitor this to cover overruns in the budget.

**CITY OF MCEWEN, TENNESSEE**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**  
For the Fiscal Year Ended June 30, 2023

**PRIOR YEAR FINANCIAL STATEMENT FINDINGS**

<b>Prior Year Finding Number</b>	<b>Finding Title</b>	<b>Status/Current Year Finding Number</b>
2022-001	Reconciliation of Balance Sheet Accounts (Significant Deficiency) (original finding # 99-03)	Corrected
2022-002	Internal Controls (Significant Deficiency and Noncompliance) (original finding # 2017-012)	Corrected
2022-003	Exceeding Budget Expenditures (Noncompliance and Significant Deficiency) (original finding # 2019-013)	Repeated/ 2023-001

# CITY OF MCEWEN

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BRAD RACHFORD

Mayor

VICKIE ETHRIDGE

City Recorder

JOHN LEE WILLIAMS

City Attorney

ALDERMAN:

KIM MOULTRIE

JOHN G. ETHRIDGE

ANTHONY D. ROSS

BASEL HOOPER

HEATHER LEEGAN

## MANAGEMENT'S CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2023

The City of McEwen, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2023.

Name and address of independent public accounting firm:

ATA, PLLC

227 Oil Well Road

Jackson, TN 38305

Audit period:

June 30, 2023

City of McEwen, Tennessee Contact/Person Responsible for Implementing Corrective Action:

Vickie Ethridge, City Recorder 931-582-6211

The findings from the June 30, 2023, schedule of findings is discussed below. The findings are numbered consistently with the number assigned in the schedule.

**2023-001 Exceeding Budget Expenditures (Noncompliance and Significant Deficiency)**

Repeat Finding: Yes

Action Taken/Planned: The City is going to work to ensure that budget overruns are anticipated in advance in the future so that City Council can take the appropriate action.

Anticipated Completion Date/Date Completed: June 30, 2024

Sincerely,

Signature: 

Title: Mayor