

**CITY OF MICHIE
TENNESSEE**

ANNUAL FINANCIAL REPORT

JUNE 30, 2023

**CITY OF MICHIE, TENNESSEE
ANNUAL FINANCIAL REPORT
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YEAR ENDED JUNE 30, 2023**

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CITY OF MICHIE, TENNESSEE

ROSTER OF PUBLICLY ELECTED AND MANAGEMENT OFFICIALS

JUNE 30, 2023

PUBLICLY ELECTED OFFICIALS

Anthony Smith	Mayor
Jed Baker	Vice Mayor
Lynn Baker	Alderman
Jay Poindexter	Alderman
Wesley Rainey	Alderman

MANAGEMENT OFFICIALS

Janice Durbin	City Recorder CMFO designee
Roger Jenkins	Utility Superintendent



Independent Auditor's Report

The Mayor and Board of Aldermen
City of Michie
Michie, 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, and each major fund of the City of Michie, 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.

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, and each major fund of the City of Michie, Tennessee, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and State Street Aid Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 – 11 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 an opinion on the financial statements that collectively comprise the City of Michie, Tennessee's basic financial statements. The supplemental information (pages 36 – 37) are presented for purposes of additional analysis and are not required parts 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements taken 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 on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2024, on our consideration of the City of Michie, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Michie, Tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Michie, Tennessee's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Jordan Associates, PLLC". The signature is written in a cursive, flowing style.

January 23, 2024

**CITY OF MICHIE, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023
(UNAUDITED)**

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

Financial Highlights

- The assets of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$4,492,169 (*net position*). Of this amount, \$1,660,596 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens.
- The City's total net position increased \$190,763 or 4.43%.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$599,902, an increase of \$186,344 or 45.06% in comparison with the prior year's total of \$413,558. Approximately, 86% of this amount (\$513,192) is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of *committed*, *assigned*, and *unassigned* components of *fund balance*) for the general fund was \$513,192.
- The City had no deficit fund balances at year end.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City of Michie's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplemental information intended to furnish additional detail to support 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 of Michie's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial 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 for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Michie 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, welfare and recreation. The business-type activities of the City include a Water Authority.

The government-wide financial statements can be found on pages 12 – 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, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

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

The City maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the state street aid fund, which are considered to be major funds. The City has no nonmajor funds.

The City adopts an annual appropriated budget for its general and state street aid funds. A budgetary comparison statement has been provided for the funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14 – 19 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Water Authority.

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 Authority, which is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 20 – 23 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire 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 24 – 35 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents supplemental information that can be found on pages 36 – 37.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$4,492,169 at the close of the fiscal year.

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 605,890	\$ 418,644	\$ 1,228,950	\$ 1,117,432	\$ 1,834,840	\$ 1,536,076
Capital Assets	141,363	138,607	2,607,772	2,722,960	2,749,135	2,861,567
Total Assets	747,253	557,251	3,836,722	3,840,392	4,583,975	4,397,643
Deferred Outflows of Resources	-	-	-	-	-	-
Current liabilities	5,988	5,086	85,818	91,151	91,806	96,237
Long-term liabilities	-	-	-	-	-	-
Total Liabilities	5,988	5,086	85,818	91,151	91,806	96,237
Deferred Inflows of Resources	-	-	-	-	-	-
Net Position:						
Investment in capital assets	141,363	138,607	2,607,772	2,722,960	2,749,135	2,861,567
Restricted	82,438	67,619	-	-	82,438	67,619
Unrestricted	517,464	345,939	1,143,132	1,026,281	1,660,596	1,372,220
Total Net Position	\$ 741,265	\$ 552,165	\$ 3,750,904	\$ 3,749,241	\$ 4,492,169	\$ 4,301,406

By far, the largest portion of the City's net position (61%) reflects its investment in capital assets (land, buildings, machinery, equipment, and vehicles). The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

An additional portion of the City's net position (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,660,596 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

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

The City's overall net position increased by \$190,763 from the prior fiscal year, which is an increase of 5%. Total assets increased during the current fiscal while total liabilities decreased. The reasons for these changes are discussed in the following section for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$189,100 from the prior fiscal year for an ending balance of \$741,265. The revenues for the City's governmental activities increased by 37% (\$99,726), while total expenses decreased by 24% (\$56,139).

Business-type Activities. For the City's business-type activities, in the current fiscal year the overall net position increased to reach an ending balance of \$3,750,904. The total increase in net position for business-type activities (water) was \$1,663 or 0.04% from the prior fiscal year.

The following schedule presents a summary of the City's operations for the fiscal year ended June 30, 2023 with comparative totals for year ended June 30, 2022.

CITY OF MICHIE'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		TOTAL	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program Revenues:						
Fees, fines and charges for services	\$ 3,510	\$ 3,330	\$ 560,253	\$ 500,652	\$ 563,763	\$ 503,982
Operating grants and contributions	8,164	7,050	-	-	8,164	7,050
Capital grants and contributions	-	-	-	744,300	-	744,300
General Revenues:						
Sales taxes	322,557	213,371	-	-	322,557	213,371
Public service	6,467	6,493	-	-	6,467	6,493
Gain (loss) on sale	-	5,600	-	-	-	5,600
Donations	26,973	31,854	-	-	26,973	31,854
Miscellaneous	200	472	-	-	200	472
Investment earnings	248	223	9,190	2,867	9,438	3,090
Total revenues	368,119	268,393	569,443	1,247,819	937,562	1,516,212
Expenses:						
General government	114,937	112,203	-	-	114,937	112,203
Public safety	27,921	30,655	-	-	27,921	30,655
Public works	26,212	65,395	-	-	26,212	65,395
Health, welfare and recreation	9,949	26,905	-	-	9,949	26,905
Water	-	-	567,780	505,700	567,780	505,700
Total expenses	179,019	235,158	567,780	505,700	746,799	740,858
Increase (decrease) in net position	189,100	33,235	1,663	742,119	190,763	775,354
Net position at beginning of year	552,165	518,930	3,749,241	3,007,122	4,301,406	3,526,052
Net position at end of year	\$ 741,265	\$ 552,165	\$ 3,750,904	\$ 3,749,241	\$ 4,492,169	\$ 4,301,406

Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the City'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 discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Board.

At June 30, 2023, the City's governmental funds reported combined fund balances of \$599,902, a 45.06% increase in comparison with the prior year. Approximately, 86% of this amount (\$513,192) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable or restricted* to indicate that it is 1) not in spendable form (\$4,272) or 2) restricted for particular purposes (\$82,438).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$513,192, while total fund balance increased to \$517,464. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures.

The fund balance of the City's general fund increased \$171,525 during the current fiscal year.

The State Street Aid fund, a major fund, had a \$14,819 increase in fund balance during the current fiscal year.

The following schedule presents a summary of the general fund and special revenues fund's revenues and expenses for the fiscal year ended June 30, 2023, and the amount and percentage of increases and decreases in relation to the prior year.

<u>Revenues</u>	<u>June 30, 2023</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from June 30, 2022</u>	<u>Percent Increase (Decrease)</u>
Taxes	\$ 90,990	24.72%	\$ 1,599	2.87%
Intergovernmental	239,730	65.12%	108,700	111.18%
Other revenues	37,398	10.16%	(10,575)	-58.32%
Total Revenues	\$ 368,118	100.00%	\$ 99,724	58.11%

<u>Expenditures</u>	<u>June 30, 2023</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from June 30, 2022</u>	<u>Percent Increase (Decrease)</u>
General government	\$ 105,346	57.95%	\$ 2,733	2.66%
Public Safety	27,921	15.36%	(2,734)	-8.92%
Public Works	20,012	11.01%	(39,183)	-66.19%
Health, welfare, and recreation	6,870	3.78%	(15,552)	-69.36%
Capital Outlay	21,625	11.90%	21,625	100.00%
Total Expenditures	\$ 181,774	100.00%	\$ (33,111)	-15.41%

Revenues increased in the current year. Taxes and intergovernmental revenues increased during the current year. Other revenues decreased during the current year due to less donations received and there were no proceeds from sales received in the current year.

Expenses decreased in the current year. Public works decreased in the current year due to the paving of roads in the prior 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.

Unrestricted net position of the Water Department at the end of the year was \$1,143,131. The increase in net position for the fund was \$1,663.

General Fund Budgetary Highlights

Original budget compared to final budget. The City did not amend the budget in the current year.

Actual expenditures were within the appropriation amount.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2023, amounts to \$2,749,135 (net of accumulated depreciation). This investment in capital assets includes buildings, parks facilities, a water treatment plant and various other equipment.

Additional information on the City's capital assets can be found in Note 3.C. on page 34 of this report.

Debt

At year-end, the City had no outstanding long-term debt.

Economic Factors. In the 2023-2024 budget, General Fund revenues are budgeted to approximate from the 2022-2023 budget year primarily due to increases in the local economy producing higher property taxes and utility user charges and increases in state shared revenues. All of these factors were considered in preparing the Town's budget for the 2023-2024 fiscal year.

Requests of Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning an of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Recorder, P. O. Box 27, Michie, Tennessee 38357.

Janice Durbin
City Recorder

CITY OF MICHIE, TENNESSEE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 565,856	\$ 488,323	\$ 1,054,179
Investments	-	666,907	666,907
Receivables:			
Accounts receivable	-	58,549	58,549
Other receivables	-	5,400	5,400
Prepaid expenses	4,272	9,446	13,718
Due from other governments	35,762	-	35,762
Other assets	-	325	325
Capital assets (net of accumulated depreciation):			
Nondepreciable	14,000	2,601	16,601
Depreciable	127,363	2,605,171	2,732,534
Total assets	<u>747,253</u>	<u>3,836,722</u>	<u>4,583,975</u>
LIABILITIES			
Accounts payable	-	2,702	2,702
Accrued expenses	5,988	8,275	14,263
Customer deposits	-	74,841	74,841
Total liabilities	<u>5,988</u>	<u>85,818</u>	<u>91,806</u>
NET POSITION			
Investment in capital assets	141,363	2,607,772	2,749,135
Restricted for:			
State street aid	82,438	-	82,438
Unrestricted	517,464	1,143,132	1,660,596
Total net position	<u>\$ 741,265</u>	<u>\$ 3,750,904</u>	<u>\$ 4,492,169</u>

CITY OF MICHIE, TENNESSEE
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2023

Program Activities	Expenses	PROGRAM REVENUES			NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General Government	\$ 114,937	\$ 3,510	\$ 8,164	\$ -	\$ (103,263)	\$ -	\$ (103,263)
Public Safety	27,921	-	-	-	(27,921)	-	(27,921)
Public Works	26,212	-	-	-	(26,212)	-	(26,212)
Health, Welfare and Recreation	9,949	-	-	-	(9,949)	-	(9,949)
Total governmental activities	179,019	3,510	8,164	-	(167,345)	-	(167,345)
Business-type activities:							
Water Fund	567,780	560,253	-	-	-	(7,527)	(7,527)
Total business-type activities	567,780	560,253	-	-	-	(7,527)	(7,527)
Total government	\$ 746,799	\$ 563,763	\$ 8,164	\$ -	(167,345)	(7,527)	(174,872)
General revenues:							
Sales and use taxes					322,557	-	322,557
Public service taxes					6,467	-	6,467
Donations					26,973	-	26,973
Miscellaneous					200	-	200
Investment earnings					248	9,190	9,438
Total general revenues					356,445	9,190	365,635
Change in net position					189,100	1,663	190,763
Net position - beginning					552,165	3,749,241	4,301,406
Net position - ending					\$ 741,265	\$ 3,750,904	\$ 4,492,169

**CITY OF MICHIE, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

	General	State Street Aid	Total
ASSETS			
Cash and cash equivalents	\$ 487,658	\$ 78,198	\$ 565,856
Prepaid insurance	4,272	-	4,272
Due from other governments	31,522	4,240	35,762
TOTAL ASSETS	\$ 523,452	\$ 82,438	\$ 605,890
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accrued expenses	\$ 5,988	-	\$ 5,988
TOTAL LIABILITIES	5,988	-	5,988
FUND BALANCE			
Nonspendable			
Prepaid items	4,272	-	4,272
Restricted			
State Street Aid Fund	-	82,438	82,438
Unassigned	513,192	-	513,192
TOTAL FUND BALANCES	517,464	82,438	599,902
TOTAL LIABILITIES AND FUND BALANCES	\$ 523,452	\$ 82,438	

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

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

141,363

Net position of governmental activities

\$ 741,265

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

CITY OF MICHIE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	<u>General</u>	<u>State Street Aid</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 90,990	\$ -	\$ 90,990
Intergovernmental revenues	214,899	24,831	239,730
Other revenues	37,398	-	37,398
Total revenues	<u>343,287</u>	<u>24,831</u>	<u>368,118</u>
Expenditures			
Current:			
General government	105,346	-	105,346
Public safety	27,921	-	27,921
Public works	10,000	10,012	20,012
Health, welfare, and recreation	6,870	-	6,870
Capital outlay	21,625	-	21,625
Total expenditures	<u>171,762</u>	<u>10,012</u>	<u>181,774</u>
Excess of Revenues over (under) Expenditures	<u>171,525</u>	<u>14,819</u>	<u>186,344</u>
Net Change in Fund Balances	<u>171,525</u>	<u>14,819</u>	<u>186,344</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>345,939</u>	<u>67,619</u>	<u>413,558</u>
FUND BALANCE AT END OF YEAR	<u><u>\$ 517,464</u></u>	<u><u>\$ 82,438</u></u>	<u><u>\$ 599,902</u></u>

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

CITY OF MICHIE, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Net change in fund balances - total governmental funds	\$	186,344
<p>Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded for the current period.</p>		
		21,625
<p>Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in government funds.</p>		
		<u>(18,869)</u>
Change in net position of governmental activities	\$	<u><u>189,100</u></u>

CITY OF MICHIE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Local sales tax	\$ 95,000	\$ 95,000	\$ 89,274	\$ (5,726)
Local sales tax out of state	2,000	2,000	1,716	(284)
Total Taxes	97,000	97,000	90,990	(6,010)
Intergovernmental				
ARP Funds Grant	-	-	92,723	92,723
Rescue Squad Grant	-	-	31,235	31,235
Local Governors DA Grant State of Tennessee	10,000	10,000	-	(10,000)
- Beer tax allocation	600	600	310	(290)
- Income tax allocation	929	929	-	(929)
- Sportsbetting	435	435	1,211	776
- Sales tax allocation	77,000	77,000	80,782	3,782
- TVA payments in lieu of taxes	7,300	7,300	8,164	864
- Wholesale beer tax	330	330	474	144
Total Intergovernmental Revenues	96,594	96,594	214,899	118,305
Other revenues				
Cable franchise fee	6,600	6,600	6,467	(133)
Rent	3,600	3,600	3,510	(90)
Donations	17,600	17,600	19,434	1,834
County donation VFD	7,539	7,539	7,539	-
Privilege tax	200	200	200	-
Interest	300	300	248	(52)
Miscellaneous	50	50	-	(50)
Total Other Revenues	35,889	35,889	37,398	1,509
TOTAL REVENUES	229,483	229,483	343,287	113,804
EXPENDITURES				
GENERAL GOVERNMENT				
Executive				
Contract labor	3,350	3,350	3,450	(100)
Mayor salary	1,450	1,450	1,375	75
Board of alderman	4,400	4,400	3,900	500
Covid pay	-	-	13,601	(13,601)
Dues and subscriptions	1,000	1,000	30	970
Publication of legal notices	129	129	248	(119)
Electric	4,700	4,700	4,542	158
Gas	1,000	1,000	709	291
Garbage	1,375	1,375	1,430	(55)
Water usage	276	276	376	(100)
Professional services	4,182	4,182	-	4,182
Repair and maintenance	6,000	6,000	679	5,321
Miscellaneous	600	600	437	163
Total Executive	28,462	28,462	30,777	(2,315)

CITY OF MICHIE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL (cont.)
YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Finance				
Salaries - recorder	49,355	49,355	50,395	(1,040)
Payroll taxes	3,041	3,041	4,254	(1,213)
Medicare	711	711	995	(284)
Retirement - IRA	1,462	1,462	1,461	1
Unemployment	158	158	50	108
Employee benefits	7,150	7,150	7,216	(66)
Insurance	6,000	6,000	5,809	191
Travel	700	700	237	463
Office supplies and expense	2,500	2,500	2,471	29
Civic center operations	500	500	482	18
Grants and donations	1,350	1,350	1,200	150
Total Finance	<u>72,927</u>	<u>72,927</u>	<u>74,570</u>	<u>(1,643)</u>
TOTAL GENERAL GOVERNMENT	<u>101,389</u>	<u>101,389</u>	<u>105,347</u>	<u>(3,958)</u>
PUBLIC SAFETY				
Fire Department				
Dues and fees	1,200	1,200	530	670
Utilities	2,700	2,700	2,515	185
Telephone	-	-	1,000	(1,000)
Propane	1,500	1,500	826	674
Water usage	280	280	660	(380)
Repair and maintenance	4,120	4,120	4,791	(671)
Travel	1,500	1,500	191	1,309
Office supplies	500	500	250	250
Operating supplies	2,500	2,500	9,922	(7,422)
Gas and oil	2,400	2,400	3,373	(973)
Workers compensation insurance	2,300	2,300	1,363	937
Professional services	2,500	2,500	2,500	-
Capital outlay	7,539	7,539	21,625	(14,086)
TOTAL PUBLIC SAFETY	<u>29,039</u>	<u>29,039</u>	<u>49,546</u>	<u>(20,507)</u>
PUBLIC WORKS				
Highways and Streets				
Street repairs	10,000	10,000	10,000	-
TOTAL PUBLIC WORKS	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
HEALTH, WELFARE, AND RECREATION				
Park				
Repairs	10,000	10,000	2,660	7,340
Operating supplies	-	-	80	(80)
Special events	12,000	12,000	4,130	7,870
TOTAL HEALTH, WELFARE, AND RECREATION	<u>22,000</u>	<u>22,000</u>	<u>6,870</u>	<u>15,130</u>
TOTAL EXPENDITURES	<u>162,428</u>	<u>162,428</u>	<u>171,763</u>	<u>(9,335)</u>
Excess of revenues over expenditures	<u>67,055</u>	<u>67,055</u>	<u>171,524</u>	<u>104,469</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>67,055</u>	<u>67,055</u>	<u>171,524</u>	<u>104,469</u>
Fund Balances - Beginning of Year	<u>345,939</u>	<u>345,939</u>	<u>345,939</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 412,994</u>	<u>\$ 412,994</u>	<u>\$ 517,463</u>	<u>\$ 104,469</u>

CITY OF MICHIE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL-STATE STREET AID FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
REVENUES				
Intergovernmental revenues:				
Gasoline and motor fuel tax	\$ 25,780	\$ 25,780	\$ 12,099	\$ (13,681)
Gas 3 cent	-	-	3,496	3,496
Gas 1989	-	-	1,893	1,893
2017 gas tax	-	-	6,099	6,099
Petroleum special tax	-	-	1,244	1,244
TOTAL REVENUES	<u>25,780</u>	<u>25,780</u>	<u>24,831</u>	<u>(949)</u>
EXPENDITURES				
Street lights	8,900	8,900	9,240	(340)
Repair and maintenance	10,000	10,000	772	9,228
TOTAL EXPENDITURES	<u>18,900</u>	<u>18,900</u>	<u>10,012</u>	<u>8,888</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>6,880</u>	<u>6,880</u>	<u>14,819</u>	<u>7,939</u>
FUND BALANCE - BEGINNING OF YEAR	<u>67,619</u>	<u>67,619</u>	<u>67,619</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 74,499</u>	<u>\$ 74,499</u>	<u>\$ 82,438</u>	<u>\$ 7,939</u>

**CITY OF MICHIE, TENNESSEE
WATER SYSTEMS
STATEMENT OF NET POSITION
JUNE 30, 2023**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 488,323
Certificates of deposit	666,907
Accounts receivable, net of doubtful accounts	58,549
Prepaid insurance	9,446
Other receivables	<u>5,400</u>

TOTAL CURRENT ASSETS	<u>1,228,625</u>
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CAPITAL ASSETS

Land	2,601
Buildings and improvements	71,409
Improvements other than buildings	218,769
Equipment	176,984
Water plant in operation	4,641,486
Less Accumulated Depreciation	<u>(2,503,476)</u>

TOTAL CAPITAL ASSETS	<u>2,607,773</u>
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OTHER ASSETS

Refundable deposits	<u>325</u>
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TOTAL ASSETS	<u>3,836,723</u>
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**CITY OF MICHIE, TENNESSEE
WATER SYSTEMS
STATEMENT OF NET POSITION
JUNE 30, 2023**

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

(Payable from Current Assets)

Accrued expenses	\$ 8,275
Due to round up program	2,702
Customer deposits	<u>74,841</u>
TOTAL CURRENT LIABILITIES	<u>85,818</u>

TOTAL LIABILITIES	<u>85,818</u>
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NET POSITION

Investment in capital assets	2,607,773
Unrestricted	<u>1,143,131</u>
TOTAL NET POSITION	<u><u>\$ 3,750,904</u></u>

**CITY OF MICHIE, TENNESSEE
WATER SYSTEMS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023**

OPERATING REVENUES

Charges for services

Water sales	\$ 529,265
Tap fees	16,600
Reconnection fees	780
Penalties	8,454
Service charges	4,050
Miscellaneous	1,104
TOTAL OPERATING REVENUES	<u>560,253</u>

OPERATING EXPENSES

Salaries	172,983
Bonuses	719
Payroll taxes	14,078
Employee benefits	19,886
Contract labor	8,750
Licenses and fees	5,576
Office supplies	12,590
Utilities	43,211
Uniform rental	311
Repairs and maintenance	87,987
Supplies	65,496
Professional services	750
Water tests	2,067
Travel	948
Insurance	12,239
Depreciation	115,189
Bad debt expense	5,000
TOTAL OPERATING EXPENSES	<u>567,780</u>

OPERATING INCOME (LOSS)	<u>(7,527)</u>
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NONOPERATING REVENUES (EXPENSES)

Interest income	9,190
NET NONOPERATING REVENUES (EXPENSES)	<u>9,190</u>

INCOME (LOSS BEFORE CAPITAL CONTRIBUTIONS)	<u>1,663</u>
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CHANGE IN NET POSITION	1,663
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NET POSITION AT BEGINNING OF YEAR	<u>3,749,241</u>
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NET POSITION AT END OF YEAR	<u>\$ 3,750,904</u>
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**CITY OF MICHIE, TENNESSEE
WATER SYSTEMS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 562,126
Cash payments to suppliers for goods and services	(246,313)
Cash payments to employees for services	<u>(216,580)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>99,233</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on cash and investments	9,190
Reinvested in certificates of deposits	<u>(8,950)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>240</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	99,473
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>388,850</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 488,323</u>

RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (7,527)
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities:	
Depreciation and amortization	115,189
Changes in Assets and Liabilities:	
(Increase) decrease in accounts receivable	(1,358)
(Increase) decrease in prepaid insurance	(1,738)
Increase (decrease) in accrued liabilities	(9,633)
Increase (decrease) in due to round up program	(669)
Increase (decrease) in customer deposits	<u>4,969</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 99,233</u>

CITY OF MICHIE, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. A. DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities of the primary government. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

1. B. REPORTING ENTITY

The City of Michie (government) is a municipal corporation governed by an elected mayor and four-member governing council (council). The accompanying financial statements present the government. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that is legally separate from the government. Currently, the City has no blended or discretely presented component units.

1. C. BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

The effect of interfund activity has been eliminated from the government-wide financial statements.

CITY OF MICHIE, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

1. D. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

The fund financial statements provided information about the government's funds. Separate statements for each fund category – governmental, and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government 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 for those accounted for in another fund.

The *state street aid fund* accounts for the State gas tax revenue and the expenditures legally restricted to street maintenance.

The government reports the following major enterprise funds:

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

The City has no nonmajor funds.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

1.E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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.

CITY OF MICHIE, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures 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.

Sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered susceptible to accrual and so 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 (within 60 days of yearend). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

1.F. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and state street aid fund.

The City adopts its budget in accordance with the State's legal requirement which is the level of classification detail at which expenditures may not legally exceed appropriations.

CITY OF MICHIE, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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

- Prior to May 1, the Mayor submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- The proposed budget is published in the local newspaper with invitations for the public to attend the budget hearings.
- Prior to July 1, the budget is legally adopted by the Mayor and Board of Aldermen through adoption of the appropriation ordinance upon two readings.
- The Mayor is responsible for controlling expenditures of the various agencies of the City government within the appropriated amounts. No expenditures shall be made in excess of the appropriations.

Budgeted amounts are shown as originally adopted and after final amendments by the Board of Aldermen. Budget appropriations lapse at year end. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, of the all funds are presented as fund financial statements.

1.G. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Cash and Cash Equivalents

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

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. The City has no items that qualify for reporting in this category.

Inventories and Prepaid Expense

Inventories of office materials and supplies of all funds of the City were deemed to be immaterial and were not inventoried or reflected in the records.

CITY OF MICHIE, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

Capital assets, except for infrastructure assets, are defined by the government as assets with an initial, individual cost in excess of \$7,500 and an estimated useful life in excess of one year.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of some assets. As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives in years: Buildings 10-50, Equipment 5-17, Vehicles 5-7, and Water distribution system 15-20.

Deferred outflows/inflows of revenues

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has no items that qualify for reporting in this category.

CITY OF MICHIE, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has no items that qualify for reporting in this category.

Net position flow assumption

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

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- a. Investment in capital assets – consists of capital assets, including restricted capital assets, net of accumulated depreciation.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of restricted or investment in capital assets.

Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF MICHIE, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by the formal action of the government's highest level of decision-making authority. The board of aldermen is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used for the government for specific purposes but do not meet the criteria to be classified as committed. The board of aldermen (board) has by resolution authorized the mayor to assign fund balance. The board of aldermen may also assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to remove or revise a commitment.

1.H. REVENUES AND EXPENDITURES/ EXPENSES

Program revenues

Amounts reported as *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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

CITY OF MICHIE, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Proprietary funds operating and nonoperating revenues and expenses

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

Sales Tax

The City presently levies a two and three-fourths percent sales tax on taxable sales within the City. The sales tax is collected by the Tennessee Department of Revenue and remitted to the City in the month following receipt by the Department of Revenue. The Department of Revenue receives the sales tax approximately one month after collection by vendors. The sales tax is recorded in the General Fund. Sales tax remitted to the City in July and August has been accrued and is included under the caption "Due from other governments."

Expenditures/ Expenses

In the government-wide financial statements, expenses are classified by function for governmental activities. In the fund financial statements, governmental funds expenditures are classified by character such as current (further classified by function), capital outlay, and debt service. In the fund financial statements, governmental funds report expenditures of financial resources.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

CITY OF MICHIE, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

2.A. DEPOSITS AND INVESTMENTS – LAWS AND REGULATIONS

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Tennessee or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee. The City has no policy regarding custodial credit risk for deposits.

The City's investment policies are governed by State statute. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit, and savings accounts. Collateral is required for demand deposits, certificates of deposits, and repurchase agreements at 105% of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its subdivisions. The City has no policy that further limits allowable investments.

2.B. REVENUE RESTRICTIONS

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
Gasoline Excise Tax	Street Purposes
Grants	Grant Program Expenditures

2.C. FUND EQUITY RESTRICTIONS

Deficit Prohibition

The State of Tennessee discourages the creation of a deficit fund balance in any individual fund. The City complied with this guideline in all material respects at year end.

2.D. BUDGETARY INFORMATION

Tennessee statutes prohibit expenses in excess of budget appropriations. The City was in compliance with this statute at year end in all funds.

CITY OF MICHIE, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

3.A. CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

Deposits

Custodial credit risk deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. The City's deposits at year-end were exposed to custodial credit risk due to not being entirely covered by federal depository insurance and pledged collateral.

3.B. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consists of utilities receivable. Receivables detail at June 30, 2023, is as follows:

	Business-type Activities
Accounts receivable	\$ 78,549
Allowance for doubtful accounts	<u>(20,000)</u>
Net accounts receivable	<u>\$ 58,549</u>

CITY OF MICHIE, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

3.C. CAPITAL ASSETS

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

Total Capital assets not being depreciated	14,000	-	-	14,000
Capital assets being depreciated				
Buildings and improvements	253,706	-	-	253,706
Infrastructure	23,000	-	-	23,000
Equipment	827,280	21,625	-	848,905
Total Capital assets being depreciated	1,103,986	21,625	-	1,125,611
Less accumulated depreciation for:				
Buildings and improvements	(169,038)	(6,618)	-	(175,656)
Infrastructure	(10,206)	(575)	-	(10,781)
Equipment	(800,135)	(11,676)	-	(811,811)
Total accumulated depreciation	(979,379)	(18,869)	-	(998,248)
Total capital assets, being depreciated, net	124,607	2,756	-	127,363
Governmental activities capital assets, net	<u>\$ 138,607</u>	<u>\$ 2,756</u>	<u>\$ -</u>	<u>\$ 141,363</u>

Business-type activities:

Capital assets not being depreciated				
Land	\$ 2,601	\$ -	\$ -	\$ 2,601
Construction in process	-	-	-	-
Total Capital assets not being depreciated	2,601	-	-	2,601
Capital assets being depreciated				
Buildings and improvements	71,409	-	-	71,409
Improvements other than buildings	218,769	-	-	218,769
Equipment	176,984	-	-	176,984
Water plant in operation	4,641,485	-	-	4,641,485
Total Capital assets being depreciated	5,108,647	-	-	5,108,647
Less accumulated depreciation for:				
Buildings and improvements	(71,206)	(25)	-	(71,231)
Improvements other than buildings	(216,292)	(504)	-	(216,796)
Equipment	(142,777)	(9,525)	-	(152,302)
Water plant in operation	(1,958,013)	(105,135)	-	(2,063,148)
Total accumulated depreciation	(2,388,288)	(115,189)	-	(2,503,477)
Total capital assets, being depreciated, net	2,720,359	(115,189)	-	2,605,170
Business-type activities capital assets, net	<u>\$ 2,722,960</u>	<u>\$ (115,189)</u>	<u>\$ -</u>	<u>\$ 2,607,771</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Function	
General government	\$ 9,590
Public safety	0
Public works	6,200
Health, welfare, and recreation	3,079
Total depreciation expense	<u>\$ 18,869</u>

CITY OF MICHIE, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

3.D. ACCRUED LIABILITIES

Accrued liabilities reported by the governmental and business type funds at June 30, 2023, includes payroll taxes due.

3.E. RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is carried for employees bonds and certain property destruction and employee health and accident claims. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

3.F. FUND BALANCE

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following.

1. *Nonspendable* fund balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
2. *Restricted* fund balance – includes amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
3. *Committed* fund balance – includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal ordinance of the Board of Aldermen (the government’s highest level of decision-making authority and shall remain binding unless removed in the same manner.
4. *Assigned* fund balance – includes amounts that are constrained by the government’s intent to be used for specific purposes but are neither restricted nor committed. The Board of Aldermen makes assignments.
5. *Unassigned* fund balance – the residual classification of the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general and state street aid funds.

CITY OF MICHIE, TENNESSEE
SCHEDULE OF UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS
JUNE 30, 2023

Inside City Limits

0 - 2,000 gallons	\$	21.49	minimum bill
Over 2,000 gallons	\$	6.15	per thousand

Outside City Limits

0 - 2,000 gallons	\$	25.21	minimum bill
Over 2,000 gallons	\$	6.15	per thousand

Number of Customers

1,009

CITY OF MICHIE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>FEDERAL AWARDS</u>			
American Rescue Plan Grant	21.027	N/A	\$ 92,723
TOTAL FEDERAL AWARDS			<u>92,723</u>
<u>STATE AWARDS</u>			
Rescue Squads Grant Program	N/A	N/A	<u>30,610</u>
TOTAL STATE AWARDS			<u>30,610</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 123,333</u>

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of the City of Michie under programs of the federal and state governments for the year ended June 30, 2023. The schedule is presented under the modified accrual basis of accounting.

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



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

Mayor and Board of Aldermen
City of Michie, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Michie, 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 January 23, 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 the 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

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

2023 – 001 INADEQUATE SEGREGATION OF DUTIES

Condition: There is not sufficient segregation of duties to accomplish an adequate internal control structure. This was a finding in the prior year.

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

Cause: Lack of accounting staff.

Effect: The risk of errors or irregularities occurring and not being detected in a timely manner increases when accounting functions are not adequately segregated.

Recommendation: Management should try to compensate for this by requiring preparation of monthly reports in key areas. These reports should be reviewed and maintained by management.

Management's Response: We agree and will try other ways of complying.

Report on Compliance and Other Matters

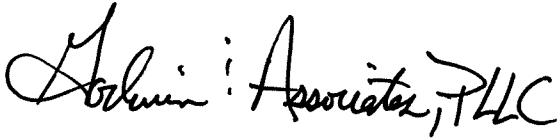
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.

City of Michie'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 above. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

A handwritten signature in black ink that reads "Arthur Associates, PLLC". The signature is written in a cursive, flowing style.

January 23, 2024

CITY OF MICHIE, TENNESSEE

SCHEDULE OF DISPOSITION OF PRIOR YEAR FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Financial Statement Findings

Finding Number	Finding Title	Status
2022-001	Inadequate segregation of duties (original finding #97-01)	Repeated/ 2023-001
2022-002	General ledger materially misstated before audit adjustments (original finding #2017-002)	Corrected
2022-003	Uninsured and uncollateralized deposits (original finding #2022-003)	Corrected

City of Michie

P.O. Box 27

Michie, TN 38357

(731) 239-3680

cityofmichie@yahoo.com

Mayor: Anthony Smith

MANAGEMENT'S CORRECTIVE ACTION PLAN

2023 - 001 INADEQUATE SEGREGATION OF DUTIES

Responsible party


Mrs. Janice Durbin, City Recorder and Mr. Anthony Smith, Mayor

Corrective action planned

The Board of Aldermen will continue to monitor and make changes where possible.

Anticipated completion date

June 30, 2024



Anthony Smith, Mayor



Janice Durbin, Town Recorder