

# **CITY OF MUNFORD, TENNESSEE**

## **Financial Statements**

**For the Fiscal Year Ended June 30, 2023**



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**CITY OF MUNFORD, TENNESSEE**  
**CITY OFFICIALS**  
June 30, 2023

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**MAYOR**

Dwayne Cole (2024\*)

**ALDERMEN**

Ray Deneka, Vice Mayor (2024\*)

Jack Bomar (2026\*)

Steve Childress (2026\*)

Richard Cramer (2026\*)

Lonnie Glass (2024\*)

Deborah Reed (2024\*)

**CITY OFFICIALS**

City Recorder ..... Sherry Yelvington\*\*  
Police Chief ..... Randal Baskin  
Fire Chief ..... Jeremy Reeves  
Director of Public Works ..... Sherry Bennard  
Director of Parks and Recreation ..... Griff Fisher

\* Year elected term expires

\*\* Designated CMFO

## INDEPENDENT AUDITOR'S REPORT

To the Mayor and Board of Aldermen of the  
City of Munford, 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 Munford, 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 Munford, Tennessee, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the statement of budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, 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 these 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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 and certain pension information 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 accompanying combining and individual fund financial statements and schedules, supporting schedules, and schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional

procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules, supporting schedules, and the schedule of expenditures of federal awards and state financial assistance 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 opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2024, on our consideration of the City of Munford'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 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 Munford's internal control over financial reporting and compliance.



Memphis, Tennessee  
March 21, 2024

**CITY OF MUNFORD, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2023

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As management of the City of Munford, Tennessee (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal and notes to the financial statements. All amounts are expressed in actual dollars. Comparative analyses of key elements of total governmental funds and total enterprise funds have been provided.

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**Financial Highlights**

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- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$29,624,934 (net position). Of this amount, \$7,410,556 (unrestricted net position) may be used to meet the government's ongoing obligation to citizens and creditors.
- The City's total net position increased by \$1,822,202 due to income in governmental activities of \$2,080,460 and offset by deficit in business-type activities of \$258,258.
- At June 30, 2023, the City's governmental funds reported combined ending fund balances of \$2,964,939, an increase of \$211,265 in comparison with the prior year. Approximately 78% of this amount is available for spending at the government's discretion (committed, assigned or unassigned fund balance). At June 30, 2023 unassigned fund balance for the General Fund was \$2,240,797, or 31.7% of General Fund expenditures.
- The City's total debt decreased by \$175,181 (3.1%) during the current fiscal year. During FY23, the City drew on existing debt in the amount of \$538,413 and paid down outstanding debt totaling \$713,594.

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**Overview of the Financial Statements**

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This discussion and analysis is intended to serve as an introduction to the City of Munford'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) notes to the financial statements. This report also contains other supplementary 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 government-wide financial statements are:

- **Statement of Net Position** -- presents information on all of the City's assets and deferred outflows and liabilities and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial net position of the City is improving or deteriorating.
- **Statement of Activities** -- presents information showing how the City's net position changed during the most recent fiscal year. All current year revenues and expenses are taken into account regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) and 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, solid waste, highways and streets, and health, welfare, and recreation. The business-type activities of the City include the operations of the water and sewer system and gas system.



**CITY OF MUNFORD, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2023

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The government-wide financial statements can be found on pages 11 and 12 of this report.

**Fund financial statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated 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 evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and 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 four 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 which is considered to be a major fund. Data for this fund is combined into a single column with individual fund data for each of the nonmajor governmental funds provided in the form of combining and individual fund statements elsewhere in this report.

The City of Munford adopts an annual appropriation budget for its general and special revenue funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 13 and 16 of this report.

**Proprietary funds --** Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City maintains one type of proprietary fund: an enterprise fund.

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, but provide more detail and additional information, such as cash flow analysis. The City uses enterprise funds to account for its Water and Sewer activities and Gas activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The business-type activities related to the Water and Sewer Fund and Gas Fund are presented in individual columns of the proprietary fund financial statements as both are considered major funds.

The basic proprietary fund financial statements can be found on pages 21 through 23 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 24 through 41 of this report.

**Required Supplementary Information:** In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information on pages 42-43. The required supplementary information (RSI) provides additional information regarding the City's defined benefit pension plan.

**CITY OF MUNFORD, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2023

**Combining and Individual Fund Statements and Schedules:** Combining schedules provide detail in connection with non-major governmental funds referred to earlier. Combining and individual fund statements and schedules can be found on pages 44 through 48 of this report.

**Government-wide Financial Analysis**

**Net Position:** 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 exceeded liabilities and deferred inflows by \$29,624,934 at the close of the most recent fiscal year, an increase of \$1,653,194 (6.6%) from last year. Governmental activities increased the City's net position by \$2,080,460 while business-type activities decreased the City's net position by \$(258,258).

The largest portion of the City's net position (73.2%) reflects its net investment in capital assets (e.g., land, buildings, machinery and equipment). 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.

	<b>Condensed Statement of Net Position</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 5,392,422	\$ 4,805,952	\$ 5,611,045	\$ 8,721,792	\$ 11,003,467	\$ 13,527,744
Capital assets	9,330,116	7,886,409	17,735,601	14,730,511	27,065,717	22,616,920
<b>Total Assets</b>	<b>14,722,538</b>	<b>12,692,361</b>	<b>23,346,646</b>	<b>23,452,303</b>	<b>38,069,184</b>	<b>36,144,664</b>
<b>Deferred Outflows of Resources</b>	961,562	803,242	393,817	353,140	1,355,379	1,156,382
Long-term liabilities outstanding	2,474,353	1,981,088	4,343,385	3,951,471	6,817,738	5,932,559
Other liabilities	648,098	353,061	740,019	618,067	1,388,117	971,128
<b>Total Liabilities</b>	<b>3,122,451</b>	<b>2,334,149</b>	<b>5,083,404</b>	<b>4,569,538</b>	<b>8,205,855</b>	<b>6,903,687</b>
<b>Deferred Inflows of Resources</b>	1,593,774	2,274,039	-	320,588	1,593,774	2,594,627
<b>Net Asset</b>						
Invested in capital assets	7,796,406	6,094,897	13,769,018	10,846,549	21,565,424	16,941,446
Restricted	648,954	627,367	-	-	648,954	627,367
Unrestricted	2,522,515	2,165,151	4,888,041	8,068,768	7,410,556	10,233,919
<b>Total Net Position</b>	<b>\$ 10,967,875</b>	<b>\$ 8,887,415</b>	<b>\$ 18,657,059</b>	<b>\$ 18,915,317</b>	<b>\$ 29,624,934</b>	<b>\$ 27,802,732</b>

An additional portion of the City's net position (2.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$7,410,556 may be used to meet the government's ongoing obligations to citizens and creditors.

At June 30, 2023, the City is able to report positive balances in all three categories of net position for the government as a whole. Governmental activities reflected positive unrestricted amount of \$2,522,515 as a component of net position while business-type activities reflected a positive component of \$4,888,041. The City maintains a practice of providing adequate reserves for payment of debt service and capital projects while funding current operations with current revenue sources.

**CITY OF MUNFORD, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2023

**Changes in Net Position:** Current fiscal year revenues for the City's governmental activities were \$7,798,744 compared to \$6,329,756 last year, an increase of \$1,468,988 driven primarily by federal transportation grant funding. Expenses for the same period were \$6,071,204 compared to \$5,194,246 last year, an increase of \$876,955 driven by an increase in the timing of capital outlay expenditures for highways and streets.

Current fiscal year revenues for the City's business-type activities were \$7,966,659 compared to \$7,942,659 last year, an increase of \$24,000 while expenses for the same period were \$8,041,008 compared to \$7,637,230 last year, an increase of \$403,778. Both the increase in revenues and expenses is related gas price increases in the gas fund.

	Condensed Statement of Activities					
	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program Revenues:						
Charges for services	\$ 1,331,205	\$ 1,200,486	\$ 7,436,374	\$ 7,579,960	\$ 8,767,579	\$ 8,780,446
Operating grants and contributions	886,009	1,076,914	-	-	886,009	1,076,914
Capital grants and contributions	1,364,495	4,475	278,660	301,600	1,643,155	306,075
General Revenues:						
Property taxes	1,594,393	1,550,014	-	-	1,594,393	1,550,014
Other taxes	1,589,329	1,481,040	-	-	1,589,329	1,481,040
Intergovernmental	1,104,664	972,245	-	-	1,104,664	972,245
Interest on investments	26,363	12,323	41,427	46,534	67,790	58,857
Other revenue	71,294	32,259	210,198	14,565	281,492	46,824
<b>Total Revenues</b>	<b>7,967,752</b>	<b>6,329,756</b>	<b>7,966,659</b>	<b>7,942,659</b>	<b>15,934,411</b>	<b>14,272,415</b>
Expenses:						
General government	\$ 277,078	\$ 212,640	\$ -	\$ -	\$ 277,078	\$ 212,640
Public safety	3,429,581	3,054,271	-	-	3,429,581	3,054,271
Solid waste	458,926	433,944	-	-	458,926	433,944
Highways and streets	591,557	314,147	-	-	591,557	314,147
Parks and recreation	1,269,956	1,129,108	-	-	1,269,956	1,129,108
Interest and fiscal charges	44,103	50,136	-	-	44,103	50,136
Water and sewer	-	-	2,762,940	2,594,017	2,762,940	2,594,017
Gas	-	-	5,278,068	5,043,213	5,278,068	5,043,213
<b>Total Expenses</b>	<b>6,071,201</b>	<b>5,194,246</b>	<b>8,041,008</b>	<b>7,637,230</b>	<b>14,112,209</b>	<b>12,831,476</b>
Increase/(Decrease) in net position before transfers	1,896,551	1,135,510	(74,349)	305,429	1,822,202	1,440,939
Transfers	183,909	174,629	(183,909)	(174,629)	-	-
Increase/(Decrease) in net position	2,080,460	1,310,139	(258,258)	130,800	1,822,202	1,440,939
Net position, beginning	8,887,415	7,577,276	18,915,317	18,784,517	27,802,732	26,361,793
Net position, ending	<b>\$ 10,967,875</b>	<b>\$ 8,887,415</b>	<b>\$ 18,657,059</b>	<b>\$ 18,915,317</b>	<b>\$ 29,624,934</b>	<b>\$ 27,802,732</b>

**Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to help control and manage money for particular purposes or to ensure and demonstrate compliance with finance-related legal requirements. The following provides a more detailed analysis of the City's funds.

**Governmental funds:** Governmental funds focus on providing 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.

**CITY OF MUNFORD, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2023

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,964,939, an increase of \$211,265 in comparison with the prior year. Approximately 76% of this total amount (\$2,240,797) constitutes unassigned fund balance, which is available for spending at the government's discretion. All of the governmental funds reported a positive ending fund balance.

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 \$2,240,797, while total fund balance was \$2,315,985. The only other category of fund balance for the General Fund was assigned totaling \$75,188. Assigned includes amounts set assigned for the library and a dog park. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 31.7% of total General Fund expenditures.

**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 for the Water and Sewer fund at the end of the year amounted to \$520,643, a decrease of \$301,112 from the prior year. Unrestricted net position of the Gas fund at the end of the year amounted to \$4,367,398, a decrease of \$2,879,398 from the prior year. Other factors concerning the finances have already been addressed in the discussion of the City's business-type activities.

**General Fund Budgetary Highlights**

During the fiscal year, total deficiency of revenues under expenditures was \$40,818, which was \$37,590 less than the final budgeted deficit change of \$78,408. Actual total revenue and other financing sources were \$26,288 higher than the final budgeted total revenue and other financing sources, representing a positive budget variance. Actual expenditures were \$11,439 less than final budgeted amounts, representing a positive budget variance.

**Capital Asset 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 \$27,065,717 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, vehicles, roads, highways, construction in progress, and other infrastructure. The total increase in City's investment in capital assets for the current fiscal year was \$4,448,797. Depreciation expense for the year was \$1,374,107.

The following table summarizes the City's capital assets, net of accumulated depreciation, for the years ended June 30, 2023 and 2022.

	Condensed Statement of Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Land	\$ 1,069,734	\$ 1,069,734	\$ 1,388,247	\$ 1,388,247	\$ 2,457,981	\$ 2,457,981
Buildings and improvements	3,313,321	3,217,908	493,950	526,380	3,807,271	3,744,288
Vehicles and equipment	1,812,074	1,682,807	1,586,444	1,142,680	3,398,518	2,825,487
ROU Vehicles and equipment	-	800	-	-	-	800
Utility system	-	-	11,001,169	11,347,202	11,001,169	11,347,202
Infrastructure	1,558,125	1,697,070	-	-	1,558,125	1,697,070
Construction in progress	1,576,862	218,090	3,265,791	326,002	4,842,653	544,092
Total capital assets, net	\$ 9,330,116	\$ 7,886,409	\$ 17,735,601	\$ 14,730,511	\$ 27,065,717	\$ 22,616,920

Additional information can be found in Note 6 of this report.

**CITY OF MUNFORD, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2023

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**Long-term debt:** At the end of the current fiscal year, the City had total debt outstanding of \$5,500,293. The City's total debt decreased \$175,181 during the current fiscal year. Additional information on the City's long-term debt can be found at Note 7 of the notes to the financial statements of this report.

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**Economic Factors and Next Year's Budgets and Rates**

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Factors considered in preparing the City's budget for the 2024 fiscal year are discussed fully in the budget document and include:

- The City uses conservative revenue forecast for budgeting purposes. The primary source of funds is sales tax and property taxes. The impact of economic conditions in the area has been taken into consideration in projecting resources. Property tax revenues are projected to increase slightly due to completion of housing developments. The property tax rate for FY2024 is set at .859 per hundred of assessed valuation.
- Sales tax and other state shared revenues are projected to remain flat based on state projections. The City has proposed no increase to sales tax revenues even though the past several years have been record years for sales tax revenues.
- The City continues to monitor operations of its Water/Sewer fund to ensure rates are sufficient to recover all costs of the system. Water and sewer rates are increased annually based on the greater of 1% or the annual CPI adjustment. For FY2024 water and sewer rates were increased by 4% based on this adjustment.
- The City adopted a General Fund operating budget of \$5.19 million for FY2024 which is a decrease of 32% from the previous year. This decrease is due to a reduction in anticipated grant revenues to include TDOT – STP project and State American Rescue Act funds.

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**Requests for Information**

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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 any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Treasurer, 1397 Munford Avenue, Munford, Tennessee 38058.

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

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,352,843	\$ 2,249,647	\$ 4,602,490
Investments	269,669	2,718,717	2,988,386
Receivables			
Taxes	1,739,263	-	1,739,263
Customer accounts	68,171	533,047	601,218
Grants	169,008	-	169,008
Other	43,335	4,084	47,419
Less allowance for doubtful accounts	(133,486)	(150,126)	(283,612)
Due from other governments	432,934	1,014	433,948
Internal balances	34,806	(34,806)	-
Inventories	-	112,901	112,901
Restricted cash	415,879	176,567	592,446
Capital assets, not being depreciated	2,646,596	4,654,038	7,300,634
Capital assets, being depreciated, net	6,683,520	13,081,563	19,765,083
Total assets	<u>14,722,538</u>	<u>23,346,646</u>	<u>38,069,184</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pension	961,562	393,817	1,355,379
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	98,673	506,870	605,543
Accrued interest payable	9,750	-	9,750
Accrued payroll	122,207	57,610	179,817
Customer deposits	1,200	97,797	98,997
Unearned revenue	416,268	77,742	494,010
Noncurrent liabilities:			
Due within one year	293,091	491,656	784,747
Due in more than one year			
Other liabilities	1,428,892	3,543,590	4,972,482
Net pension liability	752,370	308,139	1,060,509
Total liabilities	<u>3,122,451</u>	<u>5,083,404</u>	<u>8,205,855</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue - property taxes	1,593,774	-	1,593,774
<b>NET POSITION</b>			
Net investment in capital assets	7,796,406	13,769,018	21,565,424
Restricted for:			
Streets	526,335	-	526,335
Solid waste	96,681	-	96,681
Drug enforcement	25,938	-	25,938
Unrestricted	2,522,515	4,888,041	7,410,556
Total net position	<u>\$ 10,967,875</u>	<u>\$ 18,657,059</u>	<u>\$ 29,624,934</u>

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

**CITY OF MUNFORD, TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
For the 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
<b>Primary government:</b>							
Governmental Activities:							
General government	\$ 277,078	\$ 287,841	\$ 659,031	\$ -	\$ 669,794	\$ -	\$ 669,794
Public safety	3,429,581	12,445	8,050	3,231	(3,405,855)	-	(3,405,855)
Solid waste	458,926	500,912	-	-	41,986	-	41,986
Highways and streets	591,557	-	218,928	1,361,264	988,635	-	988,635
Parks and recreation	1,269,956	530,007	-	-	(739,949)	-	(739,949)
Interest on long-term debt	44,103	-	-	-	(44,103)	-	(44,103)
Total governmental activities	6,071,201	1,331,205	886,009	1,364,495	(2,489,492)	-	(2,489,492)
Business-type activity:							
Water and sewer	2,762,940	2,799,273	-	278,660	-	314,993	314,993
Gas	5,278,068	4,637,101	-	-	-	(640,967)	(640,967)
Total business-type activities	8,041,008	7,436,374	-	278,660	-	(325,974)	(325,974)
Total primary government	\$ 14,112,209	\$ 8,767,579	\$ 886,009	\$ 1,643,155	(2,489,492)	(325,974)	(2,815,466)
General revenues:							
Property taxes					1,594,393	-	1,594,393
Local option sales tax					1,429,024	-	1,429,024
Other taxes							
Wholesale liquor and beer taxes					148,426	-	148,426
Cable TV tax					11,879	-	11,879
Intergovernmental revenues:							
State sales tax					752,466	-	752,466
State income tax					14,595	-	14,595
Other intergovernmental revenue					337,603	-	337,603
Other revenue					24,707	9,888	34,595
Interest on investments					26,363	41,427	67,790
Gain on sale of capital assets					32,444	187,176	219,620
Insurance recoveries					14,143	13,134	27,277
Transfers					183,909	(183,909)	-
Total general revenues and transfers					4,569,952	67,716	4,637,668
Change in net position					2,080,460	(258,258)	1,822,202
Net position - beginning					8,887,415	18,915,317	27,802,732
Net position - ending					\$ 10,967,875	\$ 18,657,059	\$ 29,624,934

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

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

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,171,523	\$ 595,999	\$ 2,767,522
Investments - certificates of deposit	269,669	-	269,669
Receivables			
Taxes	1,739,263	-	1,739,263
Customer	-	68,171	68,171
Grants	169,008	-	169,008
Other	38,969	4,366	43,335
Less allowance for doubtful accounts	(112,465)	(21,021)	(133,486)
Due from other governments	395,502	37,432	432,934
Due from other funds	53,335	351	53,686
Cash restricted for customer accounts	1,200	-	1,200
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 4,726,004</u>	<u>\$ 685,298</u>	<u>\$ 5,411,302</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 72,208	\$ 26,465	\$ 98,673
Accrued payroll	122,207	-	122,207
Customer deposits	1,200	-	1,200
Due to other funds	9,001	9,879	18,880
Deferred revenue	416,268	-	416,268
Total liabilities	<u>620,884</u>	<u>36,344</u>	<u>657,228</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue			
Taxes	1,620,127	-	1,620,127
Grants	169,008	-	169,008
Total deferred inflows of resources	<u>1,789,135</u>	<u>-</u>	<u>1,789,135</u>
<b>FUND BALANCES</b>			
Restricted	-	648,954	648,954
Assigned	75,188	-	75,188
Unassigned	2,240,797	-	2,240,797
Total fund balances	<u>2,315,985</u>	<u>648,954</u>	<u>2,964,939</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,726,004</u>	<u>\$ 685,298</u>	<u>\$ 5,411,302</u>

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



**CITY OF MUNFORD, TENNESSEE**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT**  
**OF NET POSITION**  
June 30, 2023

Total fund balances, governmental funds		\$ 2,964,939
Amounts reported for governmental activities in the statement of net position are different because:		
(1) Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		9,330,116
(2) Other long-term assets are not available to pay for current-period expenditures and, therefore, are unearned or unavailable in the funds.		195,361
(3) Long-term debt is not due and payable in the current period and, therefore is not reported in the funds. Less: debt payable		(1,533,710)
(4) Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Less: accrued interest payable Less: compensated absences payable	(9,750) <u>(188,273)</u>	(198,023)
(5) Net pension assets are not a financial resource in the current period and net pension liabilities and net other postemployment liabilities are not payable with current financial resources and, therefore, are not reported in the funds. Less: net pension liability		(752,370)
(6) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years. Add: deferred outflows of resources related to pensions Less: deferred inflows of resources related to pensions	961,562 - <u>          </u>	<u>961,562</u>
Net position of governmental activities		<u><u>\$ 10,967,875</u></u>

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

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

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property taxes	\$ 1,591,831	\$ -	\$ 1,591,831
Local sales taxes	1,589,329	-	1,589,329
Intergovernmental			
State sales, income, and other tax	1,104,664	-	1,104,664
State gas tax	-	218,928	218,928
Licenses and permits	69,559	-	69,559
Charges for services	562,216	500,912	1,063,128
Fines, forfeitures, and penalties	204,487	7,471	211,958
Federal, state and other grants	1,862,568	-	1,862,568
Interest on investments	21,102	5,261	26,363
Other	23,574	1,133	24,707
Total revenues	<u>7,029,330</u>	<u>733,705</u>	<u>7,763,035</u>
<b>EXPENDITURES</b>			
Current			
General government	237,476	-	237,476
Public safety	3,327,557	9,954	3,337,511
Solid Waste	-	498,926	498,926
Highways and streets	1,854,424	142,764	1,997,188
Parks and recreation	1,408,832	-	1,408,832
Debt Service			
Principal	216,704	40,201	256,905
Interest	25,155	20,273	45,428
Total expenditures	<u>7,070,148</u>	<u>712,118</u>	<u>7,782,266</u>
Excess (deficiency) of revenues over (under) expenditures	(40,818)	21,587	(19,231)
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	32,444	-	32,444
Insurance recoveries	14,143	-	14,143
Transfers in	183,909	-	183,909
Total other financing sources and uses	<u>230,496</u>	<u>-</u>	<u>230,496</u>
Net change in fund balances	189,678	21,587	211,265
Fund balances - beginning	<u>2,126,307</u>	<u>627,367</u>	<u>2,753,674</u>
Fund balances - ending	<u>\$ 2,315,985</u>	<u>\$ 648,954</u>	<u>\$ 2,964,939</u>

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

**CITY OF MUNFORD, TENNESSEE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2023

Net change in fund balance - total governmental funds		\$ 211,265
Amounts reported for governmental activities in the statement of activities are different because:		
(1) Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Add: capital outlays capitalized	1,957,713	
Less: depreciation expense	<u>(514,006)</u>	1,443,707
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		158,130
(3) The issuance of long-term debt (e.g. bonds, notes, other loans) 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 issuance costs, 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.		
Add: principal payments on long-term debt	256,904	
Add: principal payments on finance lease	<u>898</u>	257,802
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accrued interest payable	1,326	
Change in compensated absences	<u>1,303</u>	2,629
(5) Payments of contributions to the pension plan are recorded as expenditures in the governmental funds. Pension expense is recorded on an actuarially determined basis in the statement of activities.		
Difference between actual contributions and pension expense		<u>6,927</u>
Change in net position of governmental activities		<u><u>\$ 2,080,460</u></u>

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

**CITY OF MUNFORD, TENNESSEE**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND**

For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
<b>PROPERTY TAXES</b>				
Property tax	\$ 1,475,000	\$ 1,500,000	\$ 1,501,126	\$ 1,126
Property tax - prior year	80,500	80,000	81,147	1,147
Property tax interest and penalties	4,000	9,500	9,558	58
Total property taxes	1,559,500	1,589,500	1,591,831	2,331
<b>LOCAL TAXES</b>				
Local sales tax	1,170,000	1,429,024	1,429,024	-
Wholesale beer and liquor tax	142,000	148,426	148,426	-
CATV franchise tax	11,000	11,878	11,879	1
Total local taxes	1,323,000	1,589,328	1,589,329	1
<b>INTERGOVERNMENTAL</b>				
State of Tennessee shared taxes				
Sales	701,522	752,466	752,466	-
Income taxes	9,500	14,595	14,595	-
Beer tax	2,960	2,878	2,878	-
Petroleum tax	11,500	10,583	10,583	-
Receipts in lieu of tax - TVA	66,171	75,771	75,771	-
Reimbursements	24,800	21,600	21,600	-
County allocations	129,627	214,077	214,077	-
Atoka reimbursements	1,450	1,456	1,456	-
Other local taxes	9,453	11,236	11,238	2
Total state shared taxes	956,983	1,104,662	1,104,664	2
<b>LICENSES AND PERMITS</b>				
Building and related permits	40,000	61,534	61,998	464
Beer and liquor licenses	1,050	800	800	-
Other	3,650	6,674	6,761	87
Total licenses and permits	44,700	69,008	69,559	551
<b>CHARGES FOR SERVICES</b>				
Planning commission fees	4,000	14,359	14,359	-
Police charges	3,000	2,645	2,645	-
Fire charges	1,200	2,329	2,329	-
Recreation fees	120,500	132,290	135,168	2,878
Concessions	12,000	24,400	24,597	197
Centennial Park charges	126,250	176,160	178,839	2,679
Rental revenue	169,000	186,600	189,050	2,450
Library fees	5,150	6,354	7,814	1,460
Community development fees	6,000	7,300	7,415	115
Total charge for services	447,100	552,437	562,216	9,779

(CONTINUED ON NEXT PAGE)

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

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>FINES, FORFEITURES, AND PENALTIES</b>				
Court fines	\$ 145,000	\$ 202,000	\$ 202,623	\$ 623
Code enforcement	500	1,300	1,300	-
Other	100	564	564	-
Total fines, forfeitures, and penalties	<u>145,600</u>	<u>203,864</u>	<u>204,487</u>	<u>623</u>
<b>FEDERAL AND STATE GRANTS</b>	910,300	1,862,450	1,862,568	118
<b>INTEREST ON INVESTMENTS</b>	6,400	17,950	21,102	3,152
<b>OTHER</b>	-	13,980	23,574	9,594
Total Revenues	<u>5,393,583</u>	<u>7,003,179</u>	<u>7,029,330</u>	<u>26,151</u>
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
Legislative				
Salaries	48,950	48,800	48,532	268
Benefits	18,074	18,580	18,322	258
Operations	11,626	18,225	17,909	316
Allocations	(51,908)	(56,499)	(55,944)	(555)
	<u>26,742</u>	<u>29,106</u>	<u>28,819</u>	<u>287</u>
Judicial				
Salaries	6,000	6,000	6,000	-
Benefits	459	459	459	-
Operations	11,500	12,362	12,362	-
	<u>17,959</u>	<u>18,821</u>	<u>18,821</u>	<u>-</u>
Administrative				
Salaries	385,369	392,700	392,425	275
Benefits	136,707	138,786	137,749	1,037
Operations	214,199	239,150	231,385	7,765
Capital outlay	-	13,000	11,317	1,683
Allocations	(662,647)	(705,272)	(698,823)	(6,449)
	<u>73,628</u>	<u>78,364</u>	<u>74,053</u>	<u>4,311</u>
Code enforcement				
Salaries	116,386	113,500	112,737	763
Benefits	29,605	47,584	46,941	643
Operations	16,354	30,913	30,322	591
Capital outlay	-	41,567	41,567	-
Allocations	(81,172)	(116,782)	(115,784)	(998)
	<u>81,173</u>	<u>116,782</u>	<u>115,783</u>	<u>999</u>
Total general government	<u>199,502</u>	<u>243,073</u>	<u>237,476</u>	<u>5,597</u>

**(CONTINUED ON NEXT PAGE)**

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

**CITY OF MUNFORD, TENNESSEE**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND**

For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>PUBLIC SAFETY</b>				
Police services				
Salaries	\$ 1,002,396	\$ 1,148,951	\$ 1,148,740	\$ 211
Benefits	398,490	381,583	379,669	1,914
Operations	297,260	323,043	322,394	649
Capital outlay	1,250	19,217	16,319	2,898
	<u>1,699,396</u>	<u>1,872,794</u>	<u>1,867,122</u>	<u>5,672</u>
Fire services				
Salaries	762,595	848,714	846,260	2,454
Benefits	329,199	326,065	324,954	1,111
Operations	188,300	192,487	189,972	2,515
Capital outlay	48,064	99,249	99,249	-
	<u>1,328,158</u>	<u>1,466,515</u>	<u>1,460,435</u>	<u>6,080</u>
Total public safety	<u>3,027,554</u>	<u>3,339,309</u>	<u>3,327,557</u>	<u>11,752</u>
<b>HIGHWAYS AND STREETS</b>				
Operations	617,836	387,984	405,425	(17,441)
Capital outlay	-	1,449,597	1,448,999	598
Total highways and streets	<u>617,836</u>	<u>1,837,581</u>	<u>1,854,424</u>	<u>(16,843)</u>
<b>PARKS AND RECREATION</b>				
Parks and recreation				
Salaries	207,316	240,950	240,636	314
Benefits	86,442	101,300	99,773	1,527
Operations	107,226	94,150	92,834	1,316
Capital outlay	31,088	18,000	18,000	-
	<u>432,072</u>	<u>454,400</u>	<u>451,243</u>	<u>3,157</u>
Programs				
Operations	63,300	117,170	116,076	1,094
Centennial Park				
Salaries	108,637	96,600	95,766	834
Benefits	44,743	39,950	39,677	273
Operations	167,627	195,200	193,727	1,473
Capital outlay	-	2,600	2,600	-
	<u>321,007</u>	<u>334,350</u>	<u>331,770</u>	<u>2,580</u>
Library				
Salaries	71,817	76,853	76,853	-
Benefits	29,330	28,163	28,163	-
Operations	19,970	18,535	18,398	137
Capital outlay	3,000	466	466	-
	<u>124,117</u>	<u>124,017</u>	<u>123,880</u>	<u>137</u>

(CONTINUED ON NEXT PAGE)

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

**CITY OF MUNFORD, TENNESSEE**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND**

For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Tipton Plaza				
Operations	\$ 35,700	\$ 32,414	\$ 31,259	\$ 1,155
	<u>35,700</u>	<u>32,414</u>	<u>31,259</u>	<u>1,155</u>
City Parks				
Operations	33,550	66,700	65,233	1,467
Capital outlay	<u>320,000</u>	<u>232,000</u>	<u>231,086</u>	<u>914</u>
	<u>353,550</u>	<u>298,700</u>	<u>296,319</u>	<u>2,381</u>
Community development				
Operations	33,060	66,225	65,502	723
Capital outlay	8,000	32,100	32,097	3
Allocations	<u>(16,424)</u>	<u>(39,602)</u>	<u>(39,314)</u>	<u>(288)</u>
	<u>24,636</u>	<u>58,723</u>	<u>58,285</u>	<u>438</u>
Total parks and recreation	<u>1,354,382</u>	<u>1,419,774</u>	<u>1,408,832</u>	<u>10,942</u>
<b>DEBT SERVICE</b>				
Principal	216,699	216,704	216,704	-
Interest	<u>24,604</u>	<u>25,146</u>	<u>25,155</u>	<u>(9)</u>
Total debt service	<u>241,303</u>	<u>241,850</u>	<u>241,859</u>	<u>(9)</u>
Total Expenditures	<u>5,440,577</u>	<u>7,081,587</u>	<u>7,070,148</u>	<u>11,439</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(46,994)	(78,408)	(40,818)	37,590
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	32,350	32,444	94
Insurance recoveries	-	14,100	14,143	43
Transfers in	<u>172,500</u>	<u>183,909</u>	<u>183,909</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>172,500</u>	<u>230,359</u>	<u>230,496</u>	<u>137</u>
Net change in fund balances	<u>\$ 125,506</u>	<u>\$ 151,951</u>	189,678	<u>\$ 37,727</u>
Fund balances - beginning			<u>2,126,307</u>	
Fund balances - ending			<u>\$ 2,315,985</u>	

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

**CITY OF MUNFORD, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
June 30, 2023

	<b>Business-type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Gas Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 690,052	\$ 1,559,595	\$ 2,249,647
Investments - certificates of deposit	-	2,718,717	2,718,717
Receivables			
Customers	337,948	195,099	533,047
Other	4,168	(84)	4,084
Less allowance for doubtful accounts	(82,297)	(67,829)	(150,126)
Due from other governments	653	361	1,014
Due from other funds	8,927	4,387	13,314
Inventory	-	112,901	112,901
Cash restricted for customer accounts	33,250	64,547	97,797
Cash restricted for construction project	78,770	-	78,770
Total current assets	<u>1,071,471</u>	<u>4,587,694</u>	<u>5,659,165</u>
Noncurrent assets:			
Capital assets, not being depreciated	1,879,275	2,774,763	4,654,038
Capital assets, being depreciated, net	8,056,126	5,025,437	13,081,563
Total capital assets (net of accumulated depreciation)	<u>9,935,401</u>	<u>7,800,200</u>	<u>17,735,601</u>
Total assets	<u>11,006,872</u>	<u>12,387,894</u>	<u>23,394,766</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pension	182,393	211,424	393,817
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	390,826	116,044	506,870
Accrued payroll	26,323	31,287	57,610
Customer deposits	33,250	64,547	97,797
Due to other funds	18,944	29,176	48,120
Unearned revenue	78,131	(389)	77,742
Current portion of bonds and notes payable	335,699	133,539	469,238
Total current liabilities	<u>883,173</u>	<u>374,204</u>	<u>1,257,377</u>
Noncurrent liabilities:			
Bonds and notes payable, net of current portion, discounts, and premiums	2,542,320	955,025	3,497,345
Accrued compensated absences	43,035	25,628	68,663
Net pension liability	142,712	165,427	308,139
Total noncurrent liabilities	<u>2,728,067</u>	<u>1,146,080</u>	<u>3,874,147</u>
Total liabilities	<u>3,611,240</u>	<u>1,520,284</u>	<u>5,131,524</u>
<b>NET POSITION</b>			
Net investment in capital assets	7,057,382	6,711,636	13,769,018
Unrestricted	520,643	4,367,398	4,888,041
Total net position	<u>\$ 7,578,025</u>	<u>\$ 11,079,034</u>	<u>\$ 18,657,059</u>

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



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

	<b>Business-type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Gas Fund</b>	<b>Total</b>
Operating Revenues:			
Metered sales	\$ 2,579,234	\$ 4,265,383	\$ 6,844,617
Service connections fees	245,009	268,690	513,699
Bad debt recovery (expense)	(24,970)	103,028	78,058
Insurance recoveries	10,854	2,280	13,134
Other	6,286	3,602	9,888
Total operating revenues	<u>2,816,413</u>	<u>4,642,983</u>	<u>7,459,396</u>
Operating Expenses:			
Salaries	560,657	657,499	1,218,156
Benefits	232,458	277,082	509,540
Contracted services	286,384	159,273	445,657
Repairs and maintenance	146,416	113,063	259,479
Materials and supplies	221,508	417,414	638,922
Fixed charges	80,494	24,366	104,860
Utilities	314,095	50,544	364,639
Supplies for resale	-	2,732,992	2,732,992
Other charges	48,015	16,290	64,305
Allocations	326,595	411,023	737,618
Depreciation	471,659	388,442	860,101
Total operating expenses	<u>2,688,281</u>	<u>5,247,988</u>	<u>7,936,269</u>
Operating income	128,132	(605,005)	(476,873)
Nonoperating Revenues (Expenses):			
Interest	6,251	35,176	41,427
Bond interest and fiscal charges	(74,659)	(30,080)	(104,739)
Gain on sale of capital assets	3,446	183,730	187,176
Total nonoperating revenues (expenses)	<u>(64,962)</u>	<u>188,826</u>	<u>123,864</u>
Income before contributions and transfers	63,170	(416,179)	(353,009)
Capital contributions - water taps	278,660	-	278,660
Transfers out	(58,943)	(124,966)	(183,909)
Change in net position	<u>282,887</u>	<u>(541,145)</u>	<u>(258,258)</u>
Total net position - beginning	<u>7,295,138</u>	<u>11,620,179</u>	<u>18,915,317</u>
Total net position - ending	<u>\$ 7,578,025</u>	<u>\$ 11,079,034</u>	<u>\$ 18,657,059</u>

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

**CITY OF MUNFORD, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2023

	<b>Business-type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Gas Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 2,839,381	\$ 4,630,751	\$ 7,470,132
Payments to suppliers	(1,132,708)	(3,965,049)	(5,097,757)
Payments to employees	(779,774)	(929,794)	(1,709,568)
Other receipts	6,045	7,524	13,569
Net cash provided by (used for) operating activities	<u>932,944</u>	<u>(256,568)</u>	<u>676,376</u>
<b>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Payments to other funds	(26,077)	(120,292)	(146,369)
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital contributions	278,660	-	278,660
Purchases of capital assets	(1,264,519)	(2,598,077)	(3,862,596)
Proceeds from sale of capital assets	-	184,581	184,581
Proceeds from capital debt issuance	538,413	-	538,413
Principal paid on capital debt	(326,106)	(129,686)	(455,792)
Interest paid on capital debt	(74,659)	(30,080)	(104,739)
Net cash used for capital and related financing activities	<u>(848,211)</u>	<u>(2,573,262)</u>	<u>(3,421,473)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	<u>6,251</u>	<u>2,155,369</u>	<u>2,161,620</u>
Net increase (decrease) in cash and cash equivalents	64,907	(794,753)	(729,846)
Cash and cash equivalents - beginning of the year	<u>737,165</u>	<u>2,418,895</u>	<u>3,156,060</u>
Cash and cash equivalents - end of the year	<u>\$ 802,072</u>	<u>\$ 1,624,142</u>	<u>\$ 2,426,214</u>
Classified as:			
Current assets	\$ 690,052	\$ 1,559,595	\$ 2,249,647
Restricted assets	112,020	64,547	176,567
	<u>\$ 802,072</u>	<u>\$ 1,624,142</u>	<u>\$ 2,426,214</u>
<b>Reconciliation of operating income to net cash from operating activities:</b>			
Operating income	\$ 128,132	\$ (605,005)	\$ (476,873)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	471,659	388,442	860,101
Pension expense in excess of employer contributions	1,237	2,009	3,246
Change in assets and liabilities			
Receivables	30,633	(1,543)	29,090
Inventory	-	137,706	137,706
Accounts payable	289,179	(180,955)	108,224
Accrued compensated absences	12,104	2,778	14,882
Net cash provided by (used for) operating activities	<u>\$ 932,944</u>	<u>\$ (256,568)</u>	<u>\$ 676,376</u>

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

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

**A. Reporting Entity**

The City of Munford, Tennessee (the “City”) is governed by an elected Mayor and six-member Board of Aldermen.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). As required by GAAP, these financial statements present the government and its component units, legally separate entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of a government’s operations. Under GAAP, the City has determined that there are no component units for which the City is considered financially accountable, to be included in the City’s financial statements.

**B. Basis of Presentation**

*1. 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 of the nonfiduciary activities of the primary government and are designed to provide readers with a broad overview of the City’s finances, in a manner similar to private-sector business. 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. Certain eliminations have been made in regard to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, those transactions between governmental and business-type activities have not been eliminated.

The statement of net position presents information on all the City’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, with the differences presented as net position. Net position is reported as one of three categories: net investment in capital assets, restricted, or unrestricted. Restricted net position is further classified as either net position restricted by enabling legislation or net position that is otherwise restricted.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 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.

*2. Fund Financial Statements*

Separate financial statements are provided for governmental funds and proprietary funds. The activities of the government are organized into funds, each of which are considered to be separate entities. Each fund is accounted for by providing a set of self-balancing accounts which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures/expenses. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City has presented all major funds that met the quantitative or qualitative qualifications to be reported as a major fund as separate columns in the fund financial statements. The City’s major funds are as follows:

**Major Funds:** General Fund, Water and Sewer Fund, and Gas Fund

Detailed descriptions of these funds are presented below.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### 3. Governmental Fund Financial Statements

Governmental fund financial statements include a balance sheet and statement of revenues, expenditures, and changes in fund balance individually for all major funds and in the aggregate for the remaining nonmajor funds. An accompanying schedule is presented to reconcile and explain the difference in fund balance and changes in fund balances as presented in these statements to net position and changes in net position presented in the government-wide financial statements. The governmental funds of the City are described below:

- a. **General Fund** – The primary operating fund of the City and accounts for all financial resources of the general government not specifically provided for in other funds. Most of the essential governmental services such as police and fire protection, community services, and general administration are reported in the general fund.
- b. **Special Revenue Funds** – These funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted or committed to expenditures for specific purposes. The special revenue funds include the State Street Aid Fund, Drug Fund, and Solid Waste Fund.

### 4. Proprietary Fund Financial Statements

Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows individually for each major enterprise fund.

The proprietary funds of the City are described below:

- a. **Enterprise Funds** – Account for business-like activities provided to the general public. The activities are financed primarily by user charges and the measurement of the financial activity focuses on net income measurement similar to private sector businesses.

Water and Sewer Fund – Accounts for water and sewer fees in connection with the operation of the City's water and sewer system.

Gas Fund – Accounts for gas fees in connection with the operation of the City's gas distribution system.

## C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

### *Measurement Focus*

On the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the “economic resources” measurement focus. Accordingly, all of the City's assets and liabilities, including capital assets and long-term liabilities, along with deferred inflows and outflows of resources, are included in the accompanying statement of net position. The statement of activities presents changes in net position.

Proprietary funds are also accounted for using the “economic resources” measurement focus. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included in the statement of net position. The statement of revenues, expenses, and changes in net position presents revenues (additions) and expenses (deductions) in total net position.

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period. These funds use fund balance as their measure of available resources at the end of the period.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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### *Basis of Accounting*

The government-wide financial statements are presented using the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund and gas fund are charges to customers for sales and services. Operating expenses are those expenses that are essential to the primary operations of the funds. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available to finance expenditures of the current period. 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, other local taxes, intergovernmental revenues, and charges for services. Licenses and permits, fines and forfeitures, and miscellaneous revenues are considered to be measurable and available only when cash is received by the City. 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. 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. The issuance of long-term debt is reported as other financing sources.

### **D - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances**

#### *1. Deposits and investments*

The City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents.

Investments consist of long-term certificates of deposits and are reported at amortized cost which approximates fair value.

Certain proceeds of bond issues, certain resources set aside for their repayment, as well as certain other cash and investments are classified as restricted assets because their use is limited by applicable bond covenants and/or external parties.

#### *2. Receivables*

All trade and property taxes receivable are shown net of an allowance for uncollectible accounts.

Real and personal property taxes are levied each October 1 for each fiscal year on values assessed as of the prior January 1. The City has an enforceable legal claim as of January 1 (the assessment date). Property taxes are due on December 1 and are considered delinquent after February 28, at which time penalties and interest are assessed and property is available for tax lien. All property taxes are billed and collected by the City.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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Property taxes receivable are recognized as of the date the City has an enforceable legal claim. Property taxes are reflected as revenues in the fiscal period for which they are levied, which is the subsequent fiscal year for the current fiscal year's assessment, provided they are received and collected within the current period or within 60 days following the fiscal year end (August 31). Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as a deferred inflow of resources as of June 30. Delinquent taxes estimated to be collected subsequent to August 31 are included in the balance sheet as property taxes receivable and a deferred inflow of resources to reflect amounts that were not available as revenues at June 30, 2023. The property tax levy is without legal limit. The rate, as permitted by Tennessee State Law and City Charter, is set annually by the Board of Mayor and Aldermen and collected by the Finance Department.

Receivables due from other governments are primarily from the United States government, the State of Tennessee, and Tipton County, Tennessee. No allowance for uncollectible amounts has been recognized.

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 as "unearned revenue". At the end of the current fiscal year, unavailable revenue principally represents amounts relating to property taxes.

Utility revenue is recorded when earned. Customers are billed on the 23<sup>rd</sup> of each month. The estimated value of services provided but unbilled at year end has been included in the accompanying financial statements.

### *3. Interfund Transactions*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Permanent reallocations of resources between funds of the City are classified as interfund transfers. For the purpose of the statement of activities, all transfers between individual governmental funds have been eliminated.

### *4. Inventories and prepaid items*

Inventories held for resale are valued at the lower of cost or net realizable value determined using the first-in, first-out (FIFO) method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of inventory and prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

### *5. Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated acquisition value at the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed. 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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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Land, easements, rights-of-way and construction in progress are not depreciated. Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-40 years
Vehicles and equipment	5-20 years
Infrastructure	3-15 years
Water and sewer and gas systems	30-40 years

*6. Right-of-use capital assets and related liabilities*

Right-of-use lease assets are recorded at an amount equal to the initial measurement of the related lease liability plus lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. Right-of-use subscription-based IT arrangements (SBITA) are recorded at an amount equal to the initial measurement of the related SBITA liability, plus payments made prior to the SBITA term, and plus capitalizable implementation costs. The right-of-use assets are amortized on a straight-line basis over the life of the related lease term or SBITA term.

Lease and SBITA liabilities are initially measured at the present value of payments expected to be made during the term of the related agreements. Subsequently, the liabilities are reduced by the principal portion of the payments made. The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by lessor is not determinable, the City uses its estimated incremental borrowing rate as the discount rate for the liabilities. The lease or SBITA term includes the noncancellable period of the lease including renewal periods reasonably certain to be exercised and termination options reasonably certain not to be exercised.

*7. Deferred outflows of resources*

Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City has qualifying items for reporting in this related to pension.

*8. Compensated absences*

Compensated absences for accumulated unpaid vacation are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Vacation days earned, not to exceed 240 hours, may be carried forward. Compensated absences are paid out of the general fund and the proprietary funds.

*9. Long-term obligations*

In the governmental-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. Premiums and discounts are deferred and amortized over the life of the debt using the effective interest method. Debt is reported net of the applicable premium or discount. Debt issuance costs are expensed when incurred.

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### 10. *Deferred inflows of resources*

Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not recognized as an inflow of resources (revenue) until that time. These items are amounts in the governmental funds that were receivable and measurable at year-end but were not available to finance expenditures for the current year. This primarily includes unavailable revenues from property taxes. In addition, deferred inflows of resources include those related to pension.

### 11. *Net position and fund balance*

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

**Net investment in capital assets** – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**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 legislations.

**Unrestricted net position** – all other net position that does not meet the definition of restricted or net investment in capital assets.

In the fund financial statements, governmental funds report fund balances in classifications that compromise 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 consist of the following five components, as applicable:

**Nonspendable** – amounts that cannot be spent because they are either in a (a) non-spendable form, including items not expected to be converted to cash (i.e. inventories, prepaid amounts, long-term portion of loans and notes receivable), or (b) legally or contractually required to be maintained intact (i.e. the principal of a permanent fund).

**Restricted** – amounts constrained to be used for a specific purpose as per external parties, constitutional provision, or enabling legislation.

**Committed** – amounts constrained to be used for specific purposes by formal action by ordinance adopted by the Board of Mayor and Aldermen. Amounts classified as committed are not subject to legal enforceability like restricted resources; however, they cannot be used for any other purpose unless the Board removes or changes the commitment by taking the same action it employed to impose the commitment.

**Assigned** – amounts intended to be used for a specific purpose but are neither restricted nor committed. The intent shall be expressed by the Board of Mayor and Aldermen or its authorized designee with authority to assign amounts. The nature of the actions necessary to remove or modify an assignment is not as rigid as required under a committed fund balance classification. The City Recorder has been authorized to assign amounts in the general fund for a specific purpose in accordance with fund balance policy established by the Board of Mayor and Aldermen.

**Unassigned** – represents the residual balance available for any purpose in the general fund. In other governmental funds, the classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been, restricted, committed, or assigned.



## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the City to generally consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the City that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

### *12. Pension*

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to the pension, and pension expense, information about the fiduciary net position, and additions to/deductions from each plan's fiduciary net position have been determined on the same basis as they are reported by the actuaries. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of each plan. Expenses of the plans, such as investment fees, trustee fees, and audit fees, are paid by the plans. However, certain administrative functions are performed by employees of the City and are not reimbursed by the plans. Investments, other than contracts, are reported at fair value. Investment income is recognized as earned. Plan assets do not include any securities of the City nor have any of the plans made any loans to the City.

### *12. Fair Value Measurements*

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets and liabilities recorded at fair value in the statements of net position are categorized based on the level of judgement associated with the inputs to measure their value. The three categories of level inputs are as follows: Level 1 inputs include unadjusted quoted prices in active markets for identical assets or liabilities accessible at the measurement date. Level 2 inputs include quoted prices for similar assets or liabilities; quoted prices in inactive markets; or other inputs that can be corroborated by observable market data. Such inputs include market interest rates and volatilities, spreads and yield curves. Level 3 inputs are inputs which are unobservable for the asset or liability and rely on management's own assumptions that market participants would use in pricing the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. In determining fair value, the City utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The methods used may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at reporting date.

### *13. Estimates*

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

## **E. Adoption of New Accounting Standard**

Effective July 1, 2022, the City implemented accounting and financial reporting requirements of GASB No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. Under this statement, the City is required to recognize a SBITA liability and an intangible right-of-use SBITA asset. There was no effect on net position as a result of the adoption of this statement.

## **NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **A. Budgetary information**

The Board of Mayor and Aldermen annually approves the operating budgets of the general, special revenue, and enterprise funds of the City. The total budgets of these funds constitute legal spending limits, requiring ordinance amendment. Transfers within the funds are accomplished by resolution of the Board of Mayor and Aldermen to authorize expenditures of various grants received and to adjust the individual fund budgets as required within the total dollar limitations of the budget ordinance. While no supplemental appropriations were required during the year, the accompanying budgetary data has been revised for amendments authorized by resolution during the year. Unexpended appropriations lapse at year-end. Annual budgets are adopted on a basis consistent with Tennessee Code Annotated, which is not materially different than the modified accrual basis of accounting for all governmental funds. Fund appropriations comprise legal spending limits for governmental funds. The Mayor may approve transfers between line items within a department. Other transfers or requests for additional funds must be approved by the Board.

### **B. Excess of expenditures over appropriations**

For the year ended June 30, 2023, expenditures exceeded budget appropriations in the following General Fund within highways and streets by \$16,843.

## **NOTE 3 - DEPOSITS**

### Legal Provisions

Deposits must be collateralized by federal depository insurance, the Tennessee Bank Collateral Pool, collateral held by the City's agent in the City's name, collateral held by the Federal Reserve Banks acting as third party agents, or a combination of these methods. State statute requires that all uninsured deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for custodial risk is to follow state guidelines. As of June 30, 2023, all bank deposits were entirely insured by federal depository insurance or collateralized by the Bank Collateral Pool of the State of Tennessee.

## **NOTE 4 - INVESTMENTS**

### Legal Provisions

Investments are limited to those authorized by Tennessee State Law. State statutes authorize the City to make direct investments in bonds, notes or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the Local Government Investment Pool ("LGIP"); bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and nonconvertible debt securities of certain federal government sponsored enterprises. 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.

**NOTE 4 – INVESTMENTS (CONTINUED)**

Certificates of deposit represent 100% of the City’s investments at June 30, 2023. These investments with an original maturity of less than 12 months are reported at amortized cost which approximates fair value. These investments with an original maturity of greater than 12 months are reported at fair value and considered level two investments in the fair value hierarchy.

**NOTE 5 – INTERFUND TRANSACTIONS**

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

<b>Receivable From</b>	<b>Payable To</b>				<b>Total</b>
	<b>General</b>	<b>Water and Sewer</b>	<b>Gas</b>	<b>Solid Waste</b>	
General	\$ -	\$ 7,148	\$ 1,502	\$ 351	\$ 9,001
Water and Sewer	16,059	-	2,885	-	18,944
Gas	29,176	-	-	-	29,176
State Street Aid	-	1,779	-	-	1,779
Solid Waste	8,100	-	-	-	8,100
<b>Total</b>	<b>\$ 53,335</b>	<b>\$ 8,927</b>	<b>\$ 4,387</b>	<b>\$ 351</b>	<b>\$ 67,000</b>

These balances resulted from the time lag between the dates that the interfund goods and services are provided or reimbursable expenditures occur and when payments between funds are made.

The composition of interfund transfers for the year ended June 30, 2023 is as follows:

<b>Transfer Out</b>	<b>Transfer In</b>
	<b>General</b>
Water and Sewer	\$ 58,943
Gas	124,966
<b>Total</b>	<b>\$ 183,909</b>

Transfers out of the enterprise funds represent payments in lieu of taxes.

## NOTE 6 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 1,069,734	\$ -	\$ -	\$ -	\$ 1,069,734
Construction in progress	218,090	1,358,772	-	-	1,576,862
Total capital assets, not being depreciated	1,287,824	1,358,772	-	-	2,646,596
Capital assets, being depreciated:					
Buildings and improvements	5,346,722	257,058	-	-	5,603,780
Vehicles and equipment	3,193,944	341,883	(164,378)	-	3,371,449
Right-of-use leased vehicles	23,894	-	-	-	23,894
Infrastructure	3,352,531	-	-	-	3,352,531
Total capital assets, being depreciated	11,917,091	598,941	(164,378)	-	12,351,654
Less accumulated depreciation for:					
Buildings and improvements	(2,128,814)	(161,645)	-	-	(2,290,459)
Vehicles and equipment	(1,511,137)	(212,616)	164,378	-	(1,559,375)
Right-of-use leased vehicles	(23,094)	(800)	-	-	(23,894)
Infrastructure	(1,655,461)	(138,945)	-	-	(1,794,406)
Total accumulated depreciation	(5,318,506)	(514,006)	164,378	-	(5,668,134)
Total capital assets, being depreciated, net	6,598,585	84,935	-	-	6,683,520
Governmental activities capital assets, net	\$ 7,886,409	\$ 1,443,707	\$ -	\$ -	\$ 9,330,116
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 1,388,247	\$ -	\$ -	\$ -	\$ 1,388,247
Construction in progress	326,002	3,126,922	-	(187,133)	3,265,791
Total capital assets, not being depreciated	1,714,249	3,126,922	-	(187,133)	4,654,038
Capital assets, being depreciated:					
Buildings and improvements	1,075,921	38	-	-	1,075,959
Vehicles and equipment	3,865,679	610,160	(199,352)	-	4,276,487
Water plant in operation	8,046,466	79,961	-	156,144	8,282,571
Sewer plant in operation	7,497,607	48,110	-	-	7,545,717
Gas plant in operation	7,704,134	-	-	30,989	7,735,123
Total capital assets, being depreciated	28,189,807	738,269	(199,352)	187,133	28,915,857
Less accumulated depreciation for:					
Buildings and improvements	(549,541)	(32,468)	-	-	(582,009)
Vehicles and equipment	(2,722,999)	(166,396)	199,352	-	(2,690,043)
Water plant in operation	(3,906,424)	(231,383)	-	-	(4,137,807)
Sewer plant in operation	(3,718,858)	(209,244)	-	-	(3,928,102)
Gas plant in operation	(4,275,723)	(220,610)	-	-	(4,496,333)
Total accumulated depreciation	(15,173,545)	(860,101)	199,352	-	(15,834,294)
Total capital assets, being depreciated, net	13,016,262	(121,832)	-	187,133	13,081,563
Business-type activities capital assets, net	\$ 14,730,511	\$ 3,005,090	\$ -	\$ -	\$ 17,735,601

**NOTE 6– CAPITAL ASSETS (CONTINUED)**

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For the year ended June 30, 2023, depreciation was charged to functions of the primary government as follows:

Governmental Activities:	
General government	\$ 90,305
Public safety	243,416
Highways and streets	64,145
Park and recreation	116,140
Total depreciation expense - governmental activities	<u>\$ 514,006</u>
Business-type Activities:	
Water and sewer fund	\$ 471,659
Gas fund	388,442
Total depreciation expense - business-type activities	<u>\$ 860,101</u>

**NOTE 7 – LONG-TERM LIABILITIES**

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*1. Long-Term Debt*

General obligation and revenue bonds and notes

The City periodically issues debt to fund the acquisition, construction, and improvement of major capital facilities and infrastructure and general government capital projects. This debt has been issued as bond anticipation notes, capital outlay notes and loans through the Tennessee Municipal Bond Fund and the State Revolving Loan Fund. Debt issued by the Water and Sewer system and Gas system is the direct obligation of each business-type activity and is secured by the operation of each fund. The City’s full faith, credit and unlimited taxing power are pledged to the repayment of all general obligation debt principal and interest and the City is contingently liable for the repayment of debt incurred by the business-type activities. The City’s outstanding notes from direct borrowings contain a provision that in an event of default, outstanding amounts become immediately due if the City is unable to make payment.

The proceeds of several bond issues and loans have been used specifically for the construction or acquisition of water and sewer and gas systems and facilities. As it is the intention of the City to repay these bonds and loans through water and sewer fund and gas fund operations, these obligations are reported in these funds.

Equipment Financing

On June 15, 2017, the City entered into a 60-month lease purchase agreement for the acquisition of a vehicle to be used by grounds maintenance. The vehicle has a book value, calculated at the present value of the lease payments, of \$23,892. The lease payable over 60 monthly payments of \$449 for a total of \$26,940 including interest. The lease matured in fiscal year 2023.

## NOTE 7 – LONG-TERM LIABILITIES

Debt outstanding as of June 30, 2023 consisted of the following:

	Interest Rates	Maturity Date	Original Issue	Balance Outstanding at Year End
Governmental activities:				
Notes from direct borrowings:				
General obligation TML bond fund loan				
Series 2005 <sup>2</sup>	0.57% <sup>1</sup>	May 2025	\$ 4,000,000	\$ 574,000
Refunding, Series 2021 <sup>3</sup>	2.23%	May 2036	1,529,630	1,360,000
Refunding, Series 2021A <sup>4</sup>	2.31%	February 2039	1,497,479	1,365,000
Capital outlay notes				
Series 2013 <sup>5</sup>	2.60%	June 2025	1,105,000	184,166
			<u>8,132,109</u>	<u>3,483,166</u>
Less: amounts split with business-type activities			<u>(4,594,046)</u>	<u>(1,949,456)</u>
			<u>\$ 3,538,063</u>	<u>\$ 1,533,710</u>
Business-type activities:				
Notes from direct borrowings:				
Revenue bond				
Series 2008	0.57% <sup>1</sup>	June 2029	\$ 1,000,000	\$ 396,000
Refunding, Series 2021	2.39%	October 2036	570,355	538,800
Series 2022	3.14%	May 2047	2,000,000	911,517
State Revolving Loan Fund, Series 2009 <sup>6</sup>	0.91%	December 2031	636,435	170,810
			<u>4,206,790</u>	<u>2,017,127</u>
Add: amounts split with governmental activities			<u>4,594,046</u>	<u>1,949,456</u>
			<u>8,800,836</u>	<u>3,966,583</u>
			<u>\$ 12,338,899</u>	<u>\$ 5,500,293</u>

<sup>1</sup> Variable rate Tennessee Municipal Bond Fund loan rate for June 30, 2023 was 0.57%.

<sup>2</sup> This note is split between governmental activities and business-type activities with governmental activities paying 40.88% of the note and business-type activities paying 59.12%.

<sup>3</sup> This note is split between governmental activities and business-type activities with governmental activities paying 30.88% of the note and business-type activities paying 69.12%.

<sup>4</sup> This note is split between governmental activities and business-type activities with governmental activities paying 57.43% of the note and business-type activities paying 42.57%.

<sup>5</sup> This note is split between governmental activities and business-type activities with governmental activities paying 51.63% of the note and business-type activities paying 48.37%.

<sup>6</sup> The loan is to be partially repaid with American Reinvestment and Recovery (ARRA) funds in the amount of \$318,218. A portion of the ARRA funding totaling \$254,574 represents principal forgiveness.

## NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

Annual debt service requirements to maturity for long-term debt are as follows:

Years Ending June 30	Governmental Activities		Business-Type Activities	
	Direct Borrowings		Direct Borrowings	
	Principal	Interest	Principal	Interest
2024	\$ 230,961	\$ 33,091	\$ 469,238	\$ 86,539
2025	237,060	29,536	483,118	79,120
2026	71,219	25,924	272,855	71,546
2027	72,985	24,195	281,170	65,961
2028	75,369	22,423	290,868	60,216
2029-2033	406,780	83,713	1,235,851	211,432
2034-2038	381,328	32,751	890,489	60,328
2039-2043	58,008	1,427	42,994	1,058
	<u>\$ 1,533,710</u>	<u>\$ 253,060</u>	<u>\$ 3,966,583</u>	<u>\$ 636,200</u>

### 2. Changes in long-term liabilities

A summary of long-term liability activity, including debt, for the year ended June 30, 2023 is as follows. Additional detailed information is available following the summary.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Direct borrowings	\$ 1,790,614	\$ -	\$ (256,904)	\$ 1,533,710	\$ 230,961
Capital lease	898	-	(898)	-	-
Compensated absences	189,576	27,133	(28,436)	188,273	62,130
	<u>\$ 1,981,088</u>	<u>\$ 27,133</u>	<u>\$ (286,238)</u>	<u>\$ 1,721,983</u>	<u>\$ 293,091</u>
Business-type activities:					
Direct borrowings	\$ 3,883,962	\$ 538,413	\$ (455,792)	\$ 3,966,583	\$ 469,238
Compensated absences	67,509	11,280	(10,126)	68,663	22,418
	<u>\$ 3,951,471</u>	<u>\$ 549,693</u>	<u>\$ (465,918)</u>	<u>\$ 4,035,246</u>	<u>\$ 491,656</u>

For governmental activities, compensated absences are generally liquidated by the general fund. For business-type activities, compensated absences are expected to be liquidated by the funds accounting for the liabilities.

**NOTE 8 – FUND BALANCES BY PURPOSE**

Following is more detailed information on the governmental fund balances:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted for:			
Street expenditures	\$ -	\$ 526,335	\$ 526,335
Solid waste expenditures	-	96,681	96,681
Drug enforcement	-	25,938	25,938
Total restricted fund balance	-	648,954	648,954
Assigned to:			
Parks and recreation - dog park	18,447	-	18,447
Library	56,741	-	56,741
Total assigned fund balance	75,188	-	75,188
Unassigned	2,240,797	-	2,240,797
Total fund balances	<u>\$ 2,315,985</u>	<u>\$ 648,954</u>	<u>\$ 2,964,939</u>

**NOTE 9 – PENSION**

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 Tennessee Consolidated Retirement System (“TCRS”). The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs). 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. For governmental activities, the net pension liability is generally liquidated by the general fund. For business-type activities, the net pension liability is expected to be liquidated by the funds accounting for the liability.

Benefits Provided

Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member’s highest five consecutive year average compensation and the member’s years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for non-service-related disability eligibility. The service related and non-service-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. 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.



**NOTE 9 – PENSIONS (CONTINUED)**

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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	29
Inactive employees entitled to but not yet receiving benefits	61
Active employees	70
	<hr/>
	160
	<hr/>

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. Munford makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2023, the employer contributions for the plan were \$329,164 based on a rate of 8.62% of payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City’s shared taxes if required employer contributions are not remitted. The employer’s ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**A. Actuarial Assumptions**

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

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%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	6.75%, net of investment expense, including inflation
Cost-of-Living Adjustment	2.125%

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 reflect more closely actual and expected future experience.

Changes of Assumptions

In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions.

Investment Policy

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.

## NOTE 9 – PENSIONS (CONTINUED)

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:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		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 three 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 the City 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 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 total pension liability.

### **B. Net Pension Liability (Asset)**

The components of the net pension liability at June 30, 2022 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at 6/30/21	\$ 9,408,811	\$ 9,593,406	\$ (184,595)
Changes for the year:			
Service cost	345,550	-	345,550
Interest	646,181	-	646,181
Differences between expected and actual experience	258,946	-	258,946
Changes in assumptions	-	-	-
Contributions - employer	-	203,878	(203,878)
Contributions - employees	-	175,757	(175,757)
Net investment income	-	(367,202)	367,202
Benefit payments, including refunds of employee contributions	(362,604)	(362,604)	-
Administrative expenses	-	(6,860)	6,860
Net changes	888,073	(357,031)	1,245,104
Balance at 6/30/21	\$ 10,296,884	\$ 9,236,375	\$ 1,060,509

**NOTE 9 – PENSIONS (CONTINUED)**

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

The following presents the net pension liability (asset) of the City 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	Current Rate	1% Increase
Net pension liability (asset)	\$ 2,736,356	\$ 1,060,509	\$ (291,845)

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

Pension Expense

For the year ended June 30, 2023, the City recognized pension expense of \$325,817.

Deferred Outflows of Resources and Deferred Inflows of Resources.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 451,252	\$ -
Net difference between projected and actual earnings on pension plan investments	27,686	-
Change in assumptions	547,277	-
Contributions subsequent to the measurement date of June 30, 2023	329,164	-
Total	\$ 1,355,379	\$ -

The amounts shown above for “Contributions subsequent to the measurement date of June 30, 2022,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2024	\$ 153,519
2025	117,715
2026	75,287
2027	356,241
2028	145,545
Thereafter	177,908

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

## **NOTE 10 - COMMITMENTS AND CONTINGENCIES**

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In the normal course of operations, the City receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

## **NOTE 11 - RISK MANAGEMENT**

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The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and other unanticipated casualties; and natural disasters. The City considers it more economically feasible to participate in a public entity risk pool as opposed to purchasing commercial insurance for certain general liability, workers' compensation, and property and casualty insurance. As such, the City participates in the Public Entity Partners Risk Management Pool (the "Pool"), which is a public entity risk pool consisting of member political subdivisions of the State of Tennessee that works in many ways like a traditional insurer. Members can obtain typical insurance coverage limits and deductible options at reasonable rates according to their risk tolerance while the Pool provides traditional underwriting, re-insurance, claims processing and loss control services. Unlike commercial insurance, the Pool offers the opportunity to earn a pro-rata refund of the surplus premiums according to the City's premiums paid and its favorable loss experience in recent years. Each political subdivision that has participated in the Pool is subject to assessment if the funds it paid as premiums are insufficient to meet the obligations of the Pool. The Pool may reinsure through the Local Government Reinsurance Fund of Tennessee or a commercial insurance company.

The City has not incurred any losses in excess of commercial insurance coverage for the past three fiscal years. Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated.

**CITY OF MUNFORD, TENNESSEE**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**EMPLOYEE PENSION PLAN**  
Last Ten Fiscal Years June 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>									
Service cost	\$ 345,550	\$ 266,270	\$ 253,974	\$ 230,543	\$ 237,623	\$ 223,748	\$ 211,839	\$ 202,772	\$ 175,345
Interest	646,181	586,260	548,061	516,491	482,547	446,116	409,394	393,797	370,199
Differences between expected and actual experience	258,946	208,476	53,733	12,855	63,713	97,275	74,360	(183,402)	(48,250)
Changes in assumptions	-	696,935	-	-	-	172,044	-	-	-
Benefit payments	(362,604)	(338,414)	(343,942)	(351,803)	(265,428)	(225,457)	(210,302)	(218,254)	(201,882)
Net change in total pension liability	888,073	1,419,527	511,826	408,086	518,455	713,726	485,291	194,913	295,412
Total pension liability - beginning	9,408,811	7,989,284	7,477,458	7,069,372	6,550,917	5,837,191	5,351,900	5,156,987	4,861,575
Total pension liability - ending	\$ 10,296,884	\$ 9,408,811	\$ 7,989,284	\$ 7,477,458	\$ 7,069,372	\$ 6,550,917	\$ 5,837,191	\$ 5,351,900	\$ 5,156,987
<b>Plan Fiduciary Net Position</b>									
Contributions - employer	203,878	184,180	167,342	163,014	150,137	136,828	129,703	121,740	117,133
Contributions - employee	175,757	166,452	148,353	138,618	134,861	131,566	124,714	117,322	112,825
Net investment income	(367,202)	1,966,668	360,927	507,367	523,852	639,748	144,874	162,326	747,630
Benefit payments	(362,604)	(338,414)	(343,942)	(351,803)	(265,428)	(225,457)	(210,302)	(218,254)	(201,882)
Administrative expense	(6,860)	(6,070)	(5,670)	(5,410)	(5,704)	(4,995)	(4,429)	(2,770)	(2,223)
Net change in plan fiduciary net position	(357,031)	1,972,816	327,010	451,786	537,718	677,690	184,560	180,364	773,483
Plan fiduciary net position - beginning	9,593,406	7,620,590	7,293,580	6,841,794	6,304,076	5,626,386	5,441,826	5,261,462	4,487,979
Plan fiduciary net position - ending	\$ 9,236,375	\$ 9,593,406	\$ 7,620,590	\$ 7,293,580	\$ 6,841,794	\$ 6,304,076	\$ 5,626,386	\$ 5,441,826	\$ 5,261,462
<b>Net pension liability (asset)</b>	\$ 1,060,509	\$ (184,595)	\$ 368,694	\$ 183,878	\$ 227,578	\$ 246,841	\$ 210,805	\$ (89,926)	\$ (104,475)
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	89.70%	101.96%	95.39%	97.54%	96.78%	96.23%	96.39%	101.68%	102.03%
<b>Covered payroll</b>	\$ 3,515,127	\$ 3,265,596	\$ 2,967,054	\$ 2,772,343	\$ 2,671,478	\$ 2,631,306	\$ 2,494,281	\$ 2,341,146	\$ 2,256,506
<b>Net pension liability as a percentage of covered payroll</b>	30.17%	-5.65%	12.43%	6.63%	8.52%	9.38%	8.45%	-3.84%	-4.63%

**Changes of assumptions.**

In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate of return, 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.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**CITY OF MUNFORD, TENNESSEE**  
**SCHEDULE OF CONTRIBUTIONS**  
**EMPLOYEE PENSION PLAN**  
Last Ten Fiscal Years June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 329,164	\$ 203,878	\$ 184,180	\$ 167,342	\$ 163,014	\$ 150,137	\$ 136,828	\$ 129,703	\$ 121,740	\$ 117,133
Contributions	329,164	203,878	184,180	167,342	163,014	150,137	136,828	129,703	121,740	117,133
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,818,607	\$ 3,515,127	\$ 3,265,596	\$ 2,967,054	\$ 2,772,343	\$ 2,671,478	\$ 2,631,306	\$ 2,494,281	\$ 2,341,146	\$ 2,256,506
Contributions as a percentage of covered payroll	8.62%	5.80%	5.64%	5.64%	5.88%	5.62%	5.20%	5.20%	5.20%	5.19%

**METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES**

Valuation date	Actuarially determined contribution rates for fiscal year 2023 were calculated based on the June 30, 2021 actuarial valuation.
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation method	10-year smoothed within a 20% corridor to market value
Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%
Investment rate of return	6.75%, net of plan 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%

**Changes of assumptions**

In 2021, the following assumptions were changed: decreased the inflation rate from 2.5% to 2.25%, decreased the investment rate of return from 7.25% to 6.75%, decreased the cost-of-living adjustment from 2.25% to 2.125%, lowered the assumed increase in Social Security Wage Base from 3% to 2.75%, and modified mortality assumptions.

In 2017, the following assumptions were changed: decreased inflation rate from 3.0% to 2.5%; decreased the investment rate of return from 7.5% to 7.25%; decreased the cost-of-living adjustment from 2.5% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to 4.0%; and modified mortality assumptions.

**CITY OF MUNFORD, TENNESSEE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2023

	<u>Special Revenue Funds</u>			<b>Total Nonmajor Governmental Funds</b>
	<b>State Street Aid Fund</b>	<b>Drug Fund</b>	<b>Solid Waste Fund</b>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 490,682	\$ 26,745	\$ 78,572	\$ 595,999
Receivables				
Customer	-	-	68,171	68,171
Other	-	1,193	3,173	4,366
Less allowance for doubtful accounts	-	-	(21,021)	(21,021)
Due from other governments	37,432	-	-	37,432
Due from other funds	-	-	351	351
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 528,114</u>	<u>\$ 27,938</u>	<u>\$ 129,246</u>	<u>\$ 685,298</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ -	\$ 2,000	\$ 24,465	\$ 26,465
Due to other funds	1,779	-	8,100	9,879
Total liabilities	<u>1,779</u>	<u>2,000</u>	<u>32,565</u>	<u>36,344</u>
<b>FUND BALANCES</b>				
Restricted	<u>526,335</u>	<u>25,938</u>	<u>96,681</u>	<u>648,954</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 528,114</u>	<u>\$ 27,938</u>	<u>\$ 129,246</u>	<u>\$ 685,298</u>

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

	<b>Special Revenue Funds</b>			<b>Total Nonmajor Governmental Funds</b>
	<b>State Street Aid Fund</b>	<b>Drug Fund</b>	<b>Solid Waste Fund</b>	
<b>REVENUES</b>				
Intergovernmental - state gas tax	\$ 218,928	\$ -	\$ -	\$ 218,928
Charges for services	-	-	500,912	500,912
Fines, forfeitures, and penalties	-	7,471	-	7,471
Interest income	4,469	218	574	5,261
Other	-	1,133	-	1,133
Total revenues	<u>223,397</u>	<u>8,822</u>	<u>501,486</u>	<u>733,705</u>
<b>EXPENDITURES</b>				
Current				
Public safety	-	9,954	-	9,954
Solid waste	-	-	498,926	498,926
Highways and streets	142,764	-	-	142,764
Debt Service				
Principal	40,201	-	-	40,201
Interest	20,273	-	-	20,273
Total expenditures	<u>203,238</u>	<u>9,954</u>	<u>498,926</u>	<u>712,118</u>
Net change in fund balances	20,159	(1,132)	2,560	21,587
Fund balances - beginning	<u>506,176</u>	<u>27,070</u>	<u>94,121</u>	<u>627,367</u>
Fund balances - ending	<u>\$ 526,335</u>	<u>\$ 25,938</u>	<u>\$ 96,681</u>	<u>\$ 648,954</u>



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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental - state gas tax				
Gas and motor fuel	\$ 122,084	\$ 108,000	\$ 112,295	\$ 4,295
Gas 1989	20,347	17,000	17,575	575
Gas 3 cent	34,590	33,000	32,450	(550)
Gas 2017	49,851	54,000	56,608	2,608
Interest income	1,750	3,900	4,469	569
Total Revenues	<u>228,622</u>	<u>215,900</u>	<u>223,397</u>	<u>7,497</u>
<b>EXPENDITURES</b>				
<b>Highways and Streets</b>				
Operations	125,000	126,000	122,764	3,236
Capital outlay	-	20,000	20,000	-
Total highways and streets	<u>125,000</u>	<u>146,000</u>	<u>142,764</u>	<u>3,236</u>
<b>Debt Service</b>				
Principal	33,143	40,201	40,201	-
Interest	16,714	18,494	20,273	(1,779)
Total debt service	<u>49,857</u>	<u>58,695</u>	<u>60,474</u>	<u>(1,779)</u>
Total Expenditures	<u>174,857</u>	<u>204,695</u>	<u>203,238</u>	<u>1,457</u>
Net change in fund balances	<u>\$ 53,765</u>	<u>\$ 11,205</u>	20,159	<u>\$ 8,954</u>
Fund balances - beginning			<u>506,176</u>	
Fund balances - ending			<u>\$ 526,335</u>	

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Fines, forfeitures, and penalties	\$ 1,700	\$ 7,471	\$ 7,471	\$ -
Other income	-	1,133	1,133	-
Interest income	80	218	218	-
Total Revenues	<u>1,780</u>	<u>8,822</u>	<u>8,822</u>	<u>-</u>
<b>EXPENDITURES</b>				
Public Safety				
Operations	1,300	1,400	1,276	124
Capital outlay	-	8,750	8,678	72
Total Expenditures	<u>1,300</u>	<u>10,150</u>	<u>9,954</u>	<u>196</u>
Net change in fund balances	<u>\$ 480</u>	<u>\$ (1,328)</u>	<u>(1,132)</u>	<u>\$ 196</u>
Fund balances - beginning			<u>27,070</u>	
Fund balances - ending			<u>\$ 25,938</u>	

**CITY OF MUNFORD, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**SOLID WASTE FUND**  
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 477,312	\$ 497,900	\$ 500,912	\$ 3,012
Interest income	300	550	574	24
Total Revenues	<u>477,612</u>	<u>498,450</u>	<u>501,486</u>	<u>3,036</u>
<b>EXPENDITURES</b>				
Solid Waste				
Operations	270,206	283,210	279,254	3,956
Capital outlay	-	47,425	47,425	-
Allocations	162,985	175,040	172,247	2,793
Total Expenditures	<u>433,191</u>	<u>505,675</u>	<u>498,926</u>	<u>6,749</u>
Net change in fund balances	<u>\$ 44,421</u>	<u>\$ (7,225)</u>	2,560	<u>\$ 9,785</u>
Fund balances - beginning			<u>94,121</u>	
Fund balances - ending			<u>\$ 96,681</u>	

**CITY OF MUNFORD, TENNESSEE**  
**SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS**  
**ALL FUNDS**  
June 30, 2023

Fiscal Year	Pooled Financing TN Municipal Bond Fund Series 2005		Water and Sewer General Obligation Bond Fund Series 2008		Water and Sewer State Revolving Loan Fund Series 2009		Pooled Financing Capital Outlay Note Series 2013		Water and Sewer Revenue and Tax Refunding Bond Series 2021		Pooled Financing General Obligation Refunding Bond Series 2021		Pooled Financing General Obligation Refunding Bond Series 2021A		Water and Sewer TN Municipal Bond Fund Series 2022		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 281,000	\$ 3,272	\$ 59,000	\$ 2,257	\$ 19,417	\$ 1,474	\$ 92,083	\$ 4,788	\$ 32,700	\$ 13,270	\$ 88,000	\$ 32,368	\$ 72,000	\$ 33,579	\$ 56,000	\$ 28,622	\$ 700,200	\$ 119,630
2025	293,000	1,670	62,000	1,921	19,595	1,296	92,083	2,394	33,500	12,429	90,000	30,274	73,000	31,808	57,000	26,863	720,178	108,655
2026	-	-	64,000	1,568	19,774	1,117	-	-	34,300	11,568	93,000	28,132	74,000	30,012	59,000	25,073	344,074	97,470
2027	-	-	67,000	1,203	19,955	936	-	-	35,200	10,686	95,000	25,918	76,000	28,192	61,000	23,221	354,155	90,156
2028	-	-	70,000	821	20,137	754	-	-	36,100	9,780	99,000	23,657	78,000	26,322	63,000	21,305	366,237	82,639
2029	-	-	74,000	422	20,321	570	-	-	37,000	8,852	102,000	21,301	80,000	24,403	65,000	19,327	378,321	74,875
2030	-	-	-	-	20,507	384	-	-	38,000	7,899	105,000	18,873	81,000	22,435	67,000	17,286	311,507	66,877
2031	-	-	-	-	20,694	197	-	-	38,900	6,923	108,000	16,374	84,000	20,443	69,000	15,182	320,594	59,119
2032	-	-	-	-	10,410	26	-	-	39,900	5,922	110,000	13,804	86,000	18,376	71,000	13,016	317,310	51,144
2033	-	-	-	-	-	-	-	-	40,900	4,896	113,000	11,186	88,000	16,261	73,000	10,786	314,900	43,129
2034	-	-	-	-	-	-	-	-	43,000	3,830	116,000	8,497	90,000	14,096	76,000	8,494	325,000	34,917
2035	-	-	-	-	-	-	-	-	43,000	2,738	120,000	5,736	92,000	11,882	78,000	6,108	333,000	26,464
2036	-	-	-	-	-	-	-	-	44,100	1,632	121,000	2,880	94,000	9,619	80,000	3,659	339,100	17,790
2037	-	-	-	-	-	-	-	-	42,200	536	-	-	97,000	7,306	36,517	1,147	175,717	8,989
2038	-	-	-	-	-	-	-	-	-	-	-	-	99,000	4,920	-	-	99,000	4,920
2039	-	-	-	-	-	-	-	-	-	-	-	-	101,000	2,485	-	-	101,000	2,485
	<u>\$ 574,000</u>	<u>\$ 4,942</u>	<u>\$ 396,000</u>	<u>\$ 8,192</u>	<u>\$ 170,810</u>	<u>\$ 6,754</u>	<u>\$ 184,166</u>	<u>\$ 7,182</u>	<u>\$ 538,800</u>	<u>\$ 100,961</u>	<u>\$ 1,360,000</u>	<u>\$ 239,000</u>	<u>\$ 1,365,000</u>	<u>\$ 302,139</u>	<u>\$ 911,517</u>	<u>\$ 220,089</u>	<u>\$ 5,500,293</u>	<u>\$ 889,259</u>

**CITY OF MUNFORD, TENNESSEE**  
**SCHEDULE OF CHANGES IN LONG-TERM DEBT AND LEASE BY INDIVIDUAL ISSUE**  
June 30, 2023

Description of Indebtedness	Original Amount Of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding July 01, 2022	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding June 30, 2023
<b>Governmental Activities</b>									
<b>Direct Borrowings:</b>									
<u>Payable through General Fund</u>									
General Obligation Bond, Series 2005	\$ 4,000,000	.57%*	12/13/2005	5/30/2025	\$ 345,482	\$ -	\$ (110,785)	\$ -	\$ 234,697
Capital Outlay Note, Series 2013	1,105,000	2.60%	4/22/2013	4/21/2025	142,625	-	(47,544)	-	95,081
Capital Outlay Note, Series 2019	93,003	2.60%	8/1/2019	8/1/2022	31,817	-	(31,817)	-	-
G.O. Refunding Bonds, Series 2021	1,529,630	2.23%	9/15/2021	5/1/2036	446,525	-	(26,557)	-	419,968
Equipment Finance Lease	26,940	5.00%	9/15/2017	8/15/2022	898	-	(898)	-	-
					<u>967,347</u>	<u>-</u>	<u>(217,601)</u>	<u>-</u>	<u>749,746</u>
<u>Payable through State Street Aid Fund</u>									
G.O. Refunding Bonds, Series 2021A	1,497,479	2.31%	11/1/2021	2/1/2039	824,165	-	(40,201)	-	783,964
Total Long-Term Debt for Governmental Activities					<u>\$ 1,791,512</u>	<u>\$ -</u>	<u>\$ (257,802)</u>	<u>\$ -</u>	<u>\$ 1,533,710</u>
<b>Business-Type Activities</b>									
<b>Direct Borrowings:</b>									
<u>Payable through Water and Sewer Fund</u>									
General Obligation Bond, Series 2005	\$ 4,000,000	.57%*	12/13/2005	5/30/2025	\$ 280,743	\$ -	(89,972)	\$ -	\$ 190,771
General Obligation Bond, Series 2008	1,000,000	.57%*	7/10/2008	6/30/2029	453,000	-	(57,000)	-	396,000
State Revolving Loan Fund, Series 2009	636,435	0.91%	1/1/2012	12/1/2031	190,051	-	(19,241)	-	170,810
Capital Outlay Note, Series 2013	1,105,000	2.60%	4/22/2013	4/21/2025	133,624	-	(44,539)	-	89,085
Revenue and Tax Refunding Bond, Series 2021	570,355	2.39%	11/4/2021	10/1/2036	570,355	-	(31,555)	-	538,800
G.O. Refunding Bonds, Series 2021A	1,497,479	2.31%	11/1/2021	2/1/2039	610,835	-	(29,799)	-	581,036
TML Bond Fund, Series 2022	2,000,000	3.14%	5/5/2022	5/1/2047	427,104	538,413	(54,000)	-	911,517
					<u>2,665,712</u>	<u>538,413</u>	<u>(326,106)</u>	<u>-</u>	<u>2,878,019</u>
<u>Payable through Gas Fund</u>									
General Obligation Bond, Series 2005	\$ 4,000,000	.57%*	12/13/2005	5/30/2025	218,775	-	(70,243)	-	148,532
G.O. Refunding Bonds, Series 2021	1,529,630	2.23%	9/15/2021	5/1/2036	999,475	-	(59,443)	-	940,032
					<u>1,218,250</u>	<u>-</u>	<u>(129,686)</u>	<u>-</u>	<u>1,088,564</u>
Total Long-Term Debt for Business-Type Activities					<u>\$ 3,883,962</u>	<u>\$ 538,413</u>	<u>\$ (455,792)</u>	<u>\$ -</u>	<u>\$ 3,966,583</u>

\* Variable rate Tennessee Municipal Bond Fund loan rate for June 30, 2023 was 0.57%.

**CITY OF MUNFORD, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE - BY LEVY YEAR**  
For the Year Ended June 30, 2023

Year of Levy	Balance June 30, 2022	Assessment	Adjustments/ Abatements	Collections	June 30, 2023
2023	\$ -	\$ 1,636,761	\$ -	\$ -	\$ 1,636,761
2022	1,581,170	-	-	(1,527,379)	53,791
2021	40,435	-	-	(28,664)	11,771
2020	12,284	-	-	(7,373)	4,911
2019	7,819	-	-	(4,125)	3,694
2018	3,078	-	-	(675)	2,403
2017	2,922	-	-	(650)	2,272
2016	833	-	-	-	833
2015	309	-	-	-	309
2014 and prior	25,310	-	-	(2,792)	22,518
<b>Total</b>	<b>1,674,160</b>	<b>\$ 1,636,761</b>	<b>\$ -</b>	<b>\$ (1,571,658)</b>	<b>1,739,263</b>
Allowance for uncollectible property taxes	(107,426)				(112,465)
<b>Net receivables</b>	<b>\$ 1,566,734</b>				<b>\$ 1,626,798</b>

**PROPERTY TAX RATES AND ASSESSMENTS - LAST 10 YEARS**

Year of Levy	Realty and Personalty	Tax Rate per \$100	Levy
2023	\$ 192,356,374	\$ 0.8509	\$ 1,636,761
2022	135,744,350	1.1695	1,587,530
2021	129,682,534	1.1695	1,517,818
2020	126,448,772	1.2261	1,483,007
2019	101,961,680	1.2261	1,453,732
2018	100,672,797	1.2261	1,179,848
2017	98,745,345	1.2261	1,822,348
2016	97,896,770	1.2261	1,172,367
2015	95,610,569	1.2261	1,172,367
2014	93,776,934	0.9761	915,355

**DELINQUENT PROPERTY TAXES**

The City of Munford files delinquent property taxes with the Chancery Court on the first business day of April each year once taxes become two years old.

**CITY OF MUNFORD, TENNESSEE**  
**SCHEDULE OF TRANSFERS**  
For the Year Ended June 30, 2023

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Major Funds</b>		
General Fund		
Water and Sewer Fund	\$ 58,943	\$ -
Gas Fund	124,966	-
	<u>183,909</u>	<u>-</u>
Water and Sewer Fund		
General Fund	-	58,943
Gas Fund		
General Fund	-	124,966
	<u>\$ 183,909</u>	<u>\$ 183,909</u>

**CITY OF MUNFORD, TENNESSEE**  
**SCHEDULE OF BONDS OF PRINCIPAL OFFICIALS**  
 June 30, 2023

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	<u>Amount of Bond/Issuance*</u>
<b>Mayor</b>	
Dwayne Cole	\$ 40,500
<b>City Recorder</b>	
Sherry Yelvington	25,000
<b>Notary (each)*</b>	
Cynthia Gerwig	10,000
Lindsey Moore	10,000
Mary Pinner	10,000
Barbara Younger	10,000

Employees are covered under the City's insurance policy for dishonesty, forgery, alterations, theft, disappearance or destruction, and computer fraud for \$150,000, subject to a \$1,000 deductible per occurrence.

\* Notary Public bond coverage is an errors and omissions policy.



**CITY OF MUNFORD, TENNESSEE**  
**SCHEDULE OF UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS**  
 June 30, 2023

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As of June 30, 2023, City of Munford, Tennessee served approximately 3,550 water customers and 2,300 sewer customers subject to the following rate structure:

**Water Rates**

Inside City Limits

First 1,000 gallons	\$10.14
Over 1,000 gallons	\$3.07 per 1,000 gallons

Outside City Limits

First 1,000 gallons	\$15.82
Over 1,000 gallons	\$4.40 per 1,000 gallons

Atoka

\$2.44 per 1,000 gallons

**Sewer Rates**

Inside City Limits

Base charge	\$10.14
First 2,000 gallons	\$4.92 per 1,000 gallons
Next 2,000 gallons	\$5.55 per 1,000 gallons
Over 4,000 gallons	\$6.17 per 1,000 gallons

Outside City Limits

Sewer is not taken from outside the city limits except in bulk from Brighton and Atoka.

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

<b>Federal Grantor/Pass-Through Grantor/Program</b>	<b>Assistance Listing Number</b>	<b>Contract Number</b>	<b>Expenditures</b>
<b>U.S. Department of Transportation</b>			
<u>Passed through State of Tennessee, Department of Transportation</u>			
Highway Planning and Construction Grant	20.205	84-LPLM-S3-027	\$ 622,400
Alcohol Open Container Requirements Grant	20.607	15AL-21-120	<u>3,231</u>
Total U.S. Department of Transportation Grants			625,631
<b>U.S. Department of Treasury</b>			
<u>Direct Award</u>			
COVID-19 - Coronavirus State and Local Recovery Funds	21.027	N/A	<u>659,031</u>
<b>Total Federal Awards</b>			1,284,662
<b>State Financial Assistance</b>			
State of Tennessee Department of Transportation			<u>738,864</u>
<b>Total Federal Awards and State Financial Assistance</b>			<u><u>\$ 2,023,526</u></u>

**CITY OF MUNFORD, TENNESSEE**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
 For the Year Ended June 30, 2023

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**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal and state grant activity of the City of Munford, Tennessee (the City) under programs of the federal and state governments for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- 1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- 2) Pass-through entity identifying numbers are presented where available.
- 3) There were no federal awards passed through to subrecipients.
- 4) The City has elected not to use the *de minimis* indirect cost rate as allowed under the Uniform Guidance.

**NOTE C – RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE TO THE FINANCIAL STATEMENTS**

The following is a reconciliation of expenditures per the schedule of expenditures of federal awards and state financial assistance to the revenue balances in the City’s financial statements:

Total grant revenue per governmental funds financial statements	\$ 1,862,568
Plus: Increase in unavailable revenue at the fund level	169,008
Less: Non-federal and non-state grants	<u>(8,050)</u>
Total federal awards and state financial assistance	<u><u>\$ 2,023,526</u></u>

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

To the Mayor and Board of Aldermen of the  
City of Munford, 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 Munford, 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, and have issued our report thereon dated March 21, 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.

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

Our consideration of 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

**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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, but another matter that is required to be reported under the *State of Tennessee Department of Audit, Audit Manual*, which is described in the accompanying Schedule Findings and Questioned Costs as item 2023-001.

### **Response to Finding**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response and management's corrective action plan was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Memphis, Tennessee  
March 21, 2024

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Mayor and Board of Aldermen of the  
City of Munford, Tennessee

**Report on Compliance for the Major Federal Program**

***Opinion on the Major Federal Program***

We have audited the City of Munford, Tennessee's (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year-ended June 30, 2023. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year-ended June 30, 2023.

***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Memphis, Tennessee  
March 21, 2024

**CITY OF MUNFORD, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2023

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal programs:	
<ul style="list-style-type: none"> <li>• Assistance Listing Number: 20.205 – Highway Planning and Construction</li> </ul>	
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Did auditee qualify as a low-risk auditee?	No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.



**CITY OF MUNFORD, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
For the Year Ended June 30, 2023

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**SECTION IV – COMPLIANCE AND OTHER MATTERS**

**2023-001 Audited Financials Were Not Filed by December 31**

**Condition:** The audited financial statements were not filed with the State of Tennessee by December 31.

**Criteria:** In accordance with the State of Tennessee Audit Manual, Section A, audited financial reports should be submitted no later than six months following the fiscal year end.

**Cause:** Internal control policies were not followed.

**Effect:** The filing of the audited financial statements was delinquent.

**Recommendation:** Management should ensure that the accounting records are closed timely to allow for adequate time to complete the audit and file the financials by the deadline.

**Management Comments:** See management's corrective action plan.

**CITY OF MUNFORD, TENNESSEE**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
For the Year Ended June 30, 2023

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**A. FINANCIAL STATEMENT FINDINGS**

None reported.

**B. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**C. OTHER MATTERS**

<b>Prior Year Finding Number</b>	<b>Finding Title</b>	<b>Status</b>
2022-001	Expenditures in excess of budget (Original Finding #2019-001)	Resolved
2022-002	Accounting Records Not Closed within Two Months of Fiscal Year End (Original Finding #2021-002)	Resolved
2022-003	Audited Financials Were Not Filed by December 31 (Original Finding #2021-003)	Repeated 2023-001



## City of Munford, Tennessee

1397 Munford Avenue  
Munford, TN 38058  
City Hall (901) 837-0171  
[www.munford.com](http://www.munford.com)  
Dwayne Cole, Mayor

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### MANAGEMENT'S CORRECTIVE ACTION PLAN

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The City of Munford, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2023. The findings from the June 30, 2023, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

#### **2023-001: Audited Financials Were Not Filed by December 31**

Planned Corrective Action:

Every effort will be made to submit information requested by auditor in a timely manner, so that audit can be completed and filed prior to December 31.

Contact Person Responsible for Each Corrective Action: Sherry Yelvington, City Recorder  
Anticipated Completion Date for Each Corrective Action: June 30, 2024

Respectively submitted,

Sherry Yelvington  
City Recorder, City of Munford, Tennessee