



CITY OF LAKESITE, TENNESSEE
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

Matlock Clements

Certified Public Accountants

INTRODUCTORY SECTION

CITY OF LAKESITE, TENNESSEE

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CITY OF LAKESITE, TENNESSEE
CITY OFFICIALS
June 30, 2023

MAYOR	David Howell
VICE-MAYOR	Bobby Bishop Sr.
CITY MANAGER	Kirsten Ert Acuff
CITY RECORDER/CLERK	Jodi LaCroix
CITY ATTORNEY	Sam Elliott
COMMISSIONER	Michelle Wilson
COMMISSIONER	Valerie Boddy
COMMISSIONER	Wayne Behlau

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Board of Commissioners
City of Lakesite, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Lakesite, Tennessee, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Lakesite, Tennessee's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Lakesite, Tennessee, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9-15 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and financial sections 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2024, on our consideration of the City of Lakesite, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Lakesite, Tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Lakesite, Tennessee's internal control over financial reporting and compliance.



Matlock Clements, P.C.
Murfreesboro, Tennessee
March 1, 2024

CITY OF LAKESITE, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

As management of the City of Lakesite, 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. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the City.

Financial Highlights:

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent year by \$622,076. All of this amount may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, fund balance for the General Fund was \$3,808,342 or 192% of total general fund expenditures.

Overview of the Financial Statements:

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

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

The Statement of Net Position presents information on all of the City's assets and liabilities, 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 position of the City is improving or deteriorating.

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

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, public works, public safety, and state street aid.

CITY OF LAKESITE, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

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 put into one category: governmental funds.

Governmental Funds – Governmental funds are funds 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, government 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 the 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 be better to understand the long-term impact of the government's near-term financial 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 one governmental fund: The General Fund.

The City adopts an annual appropriated budget for its General Fund. The City's Charter necessitates re-appropriations of the budget only when the entire fund expenditures are expected to exceed budgeted amounts. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the appropriation.

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.

Financial Analysis of the Financial Statements

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$622,076 at the close of this fiscal year, compared to \$963,101 in the prior year.

The second largest portion of the City's net position (49%), reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment and infrastructure). The City uses these capital

**CITY OF LAKESITE, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

assets to provide services to citizens; consequently, these assets are not available for future spending.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position.

Currently Known Facts, Decisions, or Conditions

With the retirement of City Manager David Edwards after serving the City of 30 years and the City's 50th anniversary, the Lakesite Board of Commissioners decided to hire a first full-time city manager in the City's history right before the start of the 2022-2023 fiscal year. In September of 2022, the City's new city manager Kirsten Ert Acuff partnered with the Municipal Technical Advisory Service to facilitate a workshop to determine the City's first ever official Strategic Plan. The Board of Commissioners (at the time with Vice Mayor Ken Wilkerson) determined the following:

MISSION & VALUES: Our City is a beautiful, family-oriented city with a transparent government that strives to provide a safe, small-town character and has respect for all citizens, businesses, and visitors. It is a multi-generational community that loves to call Lakesite home.

VISION: The vision of Lakesite is to be the most desirable, safe, and family-oriented community that offers multiple recreational, shopping, and business opportunities, and fosters an environment of community involvement.

GOALS: Event Space, Community Engagement, TVA Park, Community Pool and Community Visibility.

Early on, City staff realized that most of these goals can only be achieved if the City secures external funding in the form of donations or grants. In an effort to secure such funding, the City engaged the Southeast Tennessee Development District to create the City's first ever Parks and Recreation Master Plan. Since the fall of 2022, the City has conducted a Parks and Recreation community survey and has created a Parks and Recreation Advisory Board to further help finalize the plan. Work on the plan continues and is expected to be completed in the summer of 2024.

Relating to Community Engagement and Visibility, the City strengthened its relationship with the Small Cities Coalition of Hamilton County and began reviewing how the jointly funded Communication Strategist position can benefit the City of Lakesite. Since that relationship has been rebuilt, the City has been positively featured in several news stories, has significantly improved how social media is used to connect with the community and has been a more engaged member with the Hamilton County legislative delegation.

Another focus of the strategic plan and a subject brought up frequently within the community is the community pool. It was built when the original subdivision was built and has been managed

**CITY OF LAKESITE, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

by dedicated community members for over 6 decades since. In 2022, the City engaged an engineering firm to explore the possibility of demolishing the existing pool to replace it with a larger and newer facility. Soil testing revealed that extensive measures would have to be taken to accomplish this goal – most critically, the existing site is too small and a shifting of the existing road and with that an alteration to the character of the beloved park would be necessary to accommodate it. Given those findings and the projected cost of such a project at the time, the Board of Commissioners decided to move forward with a renovation instead. In late 2022, the City officially took ownership of the pool and managed it for the first time during the 2023 season. One pool manager and 6 lifeguards were hired to facilitate smooth operations and keep one of the most beloved community assets thriving with life. In the fall of 2023, renovations began. The pool house will be demolished and rebuilt in the fall of 2024.

Another major capital project starting in fiscal year 2023-2024 will be a large stormwater project to improve the unnamed creek at Hale Road, which follows Daisy Dallas Road all the way to Hixson Pike. Under the new city manager, the City was able to secure American Rescue Plan funding which is administered through the Tennessee Department of Environment and Conservation. The grant provides up to \$677,865 toward the estimated \$1.25M project. The project must be completed by 2026.

The completion of the Pedestrian Enhancement grant project on Hixson Pike in 2022 which was funded largely by contributions from the Tennessee Department of Transportation (80% grant match from the state) frees up funds and personnel time to focus on the stormwater project. The new multi-use path on the eastern side of Hixson Pike is already used frequently for biking and walking by the community.

Also completed during the 2022-2023 fiscal year was the Presley Park subdivision and all 56 homes have been sold before the year ended. The same developer is developing the next phase which will include 47 new homes. Site work is set to begin in fiscal year 2023-2024.

Other activities planned for fiscal year 2023-2024 include a redesign of a new city website, maintenance and repairs to city hall, and the beginning of the surveying and design work for the stormwater project funded by ARP funds.

Finally, the City's progress in fiscal year 2022-2023 was noticed statewide. In July of 2023, the City was honored with the Achievement Award for Small City Progress by the Tennessee Municipal League. This progress was possible only because of the various partnerships the City maintains. The Southeast Tennessee Development District provides planning services and supports the zoning ordinance updates; Waycaster LLC was hired to support bookkeeping activities and overhaul outdated and inefficient financial processes; McKamey Animal Services provide reliable animal services; Litefoot Technology assists the City in staying current on all IT

CITY OF LAKESITE, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

and cybersecurity needs; MTAS and the Hamilton County Small Cities Coalition provide topic-specific support and communications assistance whenever needed.

City of Lakesite, Tennessee Net Position

	Governmental Activities	
	2023	2022
Current assets	\$ 3,973,027	\$ 3,963,939
Capital assets, net	3,751,783	3,284,431
Total Assets	7,724,810	7,248,370
Deferred outflows	13,441	-
Total Deferred Outflows	13,441	-
Current and other liabilities	39,685	170,880
Long-term liabilities	-	-
Total Liabilities	39,685	170,880
Deferred inflows of resources	125,000	126,000
Deferred Inflows of Resources	125,000	126,000
Net Investment in Capital Assets	3,751,783	3,284,431
Restricted	-	274,818
Unrestricted	3,821,783	3,392,241
Total Net Position	\$ 7,573,566	\$ 6,951,490

**CITY OF LAKESITE, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Changes in net position. Governmental activities increased the City's net position by \$622,076.

City of Lakesite, Tennessee Changes in Net Position

	Governmental Activities	
	2023	2022
Program Revenues		
Charges for services	\$ 42,779	\$ 53,986
Operating grants and contributions	67,876	71,958
Capital grants and contributions	573,920	-
General Revenues		
Other revenues	1,364,755	2,044,560
Investment earnings	87,842	(5,076)
Expenses		
General government	605,478	457,181
Public safety	315,964	283,604
Public Works	393,563	289,137
State street aid	200,091	172,405
Total Expenses	1,515,096	1,202,327
Change in net position	\$ 622,076	\$ 963,101
Net position, beginning	6,951,490	5,988,389
Net position, ending	<u>\$ 7,573,566</u>	<u>\$ 6,951,490</u>

Financial Analysis of the Government's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental fund reported ending fund balance of \$3,808,342, an increase of \$156,786 in comparison with the prior year. All of this balance is unassigned. This amount is available for spending at the government's discretion.

CITY OF LAKESITE, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

The general fund is the chief operation fund of the City. Due to the compliance of GASB 54, the general fund recognizes "unassigned" fund balance instead of "unreserved" fund balance. At the end of this fiscal year, this amount is \$3,808,342. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 192% of total general fund expenditures.

Capital Assets

The City's investment in capital assets from its governmental activities at June 30, 2023 amounts to \$3,751,783 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvement, vehicles, equipment, and infrastructure.

City of Lakesite, Tennessee Capital Assets

	Governmental Activities	
	2023	2022
Construction in progress	\$ -	\$ 1,010,759
Land	176,307	176,307
Buildings and improvements	1,287,022	1,287,022
Vehicles	92,768	92,768
Equipment	729,419	729,419
Infrastructure	3,398,211	1,643,640
Accumulated Depreciation	(1,931,944)	(1,655,484)
Total capital Assets	\$ 3,751,783	\$ 3,284,431

Additional information on the City's capital assets can be found in the notes to the financial statements section of this report.

Long-term Debt

At the end of the current year, the City had no debt outstanding.

Requests for Information

This financial report is designed to provide a general overview of the City of Lakesite, Tennessee'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 City of Lakesite, 9201 Rocky Point Rd, Soddy-Daisy, TN 37379.

BASIC FINANCIAL STATEMENTS

CITY OF LAKESITE, TENNESSEE

Government-Wide Statement of Net Position

June 30, 2023

	Governmental Activities
ASSETS	
Current Assets	
Cash	\$ 2,822,849
Property taxes receivable - net	133,566
Investments	816,321
Due from other governments	200,291
Total Current Assets	<u>3,973,027</u>
Non-current Assets	
Capital assets	
Land	176,307
Other capital assets - net of accumulated depreciation	3,575,476
Total capital assets	<u>3,751,783</u>
TOTAL ASSETS	<u><u>\$ 7,724,810</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to Pension	\$ 13,441
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 13,441</u></u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 27,318
Accrued liabilities	12,367
TOTAL LIABILITIES	<u><u>\$ 39,685</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue - property taxes	\$ 125,000
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>\$ 125,000</u></u>
NET POSITION	
Net investment in capital assets	\$ 3,751,783
Unrestricted	3,821,783
TOTAL NET POSITION	<u><u>\$ 7,573,566</u></u>

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

CITY OF LAKESITE, TENNESSEE
Government-Wide Statement of Activities
Year Ended June 30, 2023

<u>Functions/Programs</u>	Program Revenues				Net (Expense)
					Revenue and
Primary Government:					Changes in Net
					Position
Governmental activities:					
	Expenses	Charges for	Operating Grants	Capital Grants	Governmental
		Services	and Contributions	and Contributions	Activities
General government	\$ 605,478	\$ 42,779	\$ -	\$ -	\$ (562,699)
Public safety	315,964	-	-	-	(315,964)
Public works	393,563	-	-	-	(393,563)
State Street Aid	200,091	-	67,876	573,920	441,705
Total governmental activities	<u>1,515,096</u>	<u>42,779</u>	<u>67,876</u>	<u>573,920</u>	<u>(830,521)</u>
General revenues:					
Unrestricted:					
Property tax					133,050
City-levied sales tax					691,856
Liquor tax					40,000
Wholesale beer tax					141,130
Business gross receipts tax					63,061
Franchise tax					25,857
Unrestricted investment earnings					87,842
Other State Taxes					258,935
Other					10,866
Total general revenues					<u>1,452,597</u>
Change in net position					622,076
Net position - beginning					<u>6,951,490</u>
Net position - end					<u>\$ 7,573,566</u>

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

FUND FINANCIAL STATEMENTS

CITY OF LAKESITE, TENNESSEE

Balance Sheet

Governmental Funds

June 30, 2023

	<u>General Fund</u>
ASSETS	
Cash	\$ 2,822,849
Property taxes receivable - net	133,566
Due from other governments	200,291
Investments	816,321
Total Assets	<u><u>\$ 3,973,027</u></u>
LIABILITIES	
Accounts payable	\$ 27,318
Accrued liabilities	12,367
Total Liabilities	<u><u>39,685</u></u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	125,000
Total Deferred inflows of resources	<u><u>125,000</u></u>
FUND BALANCES	
Unassigned	3,808,342
Total Fund Balances	<u><u>3,808,342</u></u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 3,973,027</u></u>

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

CITY OF LAKESITE, TENNESSEE
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2023

Total fund balances per governmental funds balance sheet	\$ 3,808,342
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet.	3,751,783
Pension liabilities, including deferred inflows and deferred outflows, are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	<u>13,441</u>
Net position of governmental activities	<u><u>\$ 7,573,566</u></u>

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

CITY OF LAKESITE, TENNESSEE

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2023

	<u>General Fund</u>
REVENUES	
Taxes	\$ 1,094,954
Licenses and permits	10,544
Intergovernmental revenue	900,731
Charges for services	32,235
Other revenue	98,708
Total Revenues	<u>2,137,172</u>
EXPENDITURES	
Current Expenditures	
General government	406,956
Public safety	235,964
Public works	224,350
State street aid	200,091
Sanitation	169,213
Capital improvements	<u>743,812</u>
Total Expenditures	<u>1,980,386</u>
Excess (deficiency) of revenues over (under) expenditures	156,786
Fund Balances - beginning	<u>3,651,556</u>
Fund Balances - end	<u>\$ 3,808,342</u>

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

CITY OF LAKESITE, TENNESSEE
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2023

Net change in fund balances for total governmental funds	\$ 156,786
Other long-term assets not available to pay for current-period expenditures and, therefore, are deferred in the funds	(15,503)
Governmental funds report capital outlay as expenditures, however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period.	467,352
Pension expense for the prior year is not reported in the governmental funds, but is reported in the Statement of Activities. Current year Pension contributions are reported as an expense in the governmental funds but are not reported in the Statement of Activities.	<u>13,441</u>
Change in net position of governmental activities	<u><u>\$ 622,076</u></u>

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

CITY OF LAKESITE, TENNESSEE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes				
Real property taxes	125,000	125,000	133,050	8,050
Local option sales	600,000	600,000	691,856	91,856
Liquor	35,000	35,000	40,000	5,000
Wholesale beer	140,000	140,000	141,130	1,130
Gross receipts	30,000	30,000	63,061	33,061
Franchise Tax	28,000	28,000	25,857	(2,143)
Total Taxes	<u>958,000</u>	<u>958,000</u>	<u>1,094,954</u>	<u>136,954</u>
Licenses and Permits				
Business license	1,500	1,500	36	(1,464)
Beer license	250	250	515	265
Building permits	10,000	10,000	9,893	(107)
Beer privilege tax	500	500	100	(400)
Liquor license fee	750	750	-	(750)
Total Licenses and Permits	<u>13,000</u>	<u>13,000</u>	<u>10,544</u>	<u>(2,456)</u>
Intergovernmental Revenue				
Sales tax	180,000	180,000	220,813	40,813
State income tax	5,000	5,000	-	(5,000)
Beer tax	850	850	848	(2)
Mixed drink tax	7,000	7,000	11,565	4,565
Streets and transportation system	3,400	3,400	3,400	-
TVA replacement	13,875	13,875	22,315	8,440
State gas tax	34,000	34,000	38,451	4,451
State gas tax 2017	17,000	17,000	13,646	(3,354)
State add 3% gas tax	10,000	10,000	8,556	(1,444)
A89 increase gas tax	5,400	5,400	3,823	(1,577)
State excise tax	60	60	-	(60)
State telecommunication sales	90	90	85	(5)
Sports betting tax	6,000	6,000	3,309	(2,691)
Federal Grants	276,537	276,537	573,920	297,383
Total Intergovernmental Revenue	<u>559,212</u>	<u>559,212</u>	<u>900,731</u>	<u>341,519</u>

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

CITY OF LAKESITE, TENNESSEE

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2023

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES (Continued)				
Charges for Services				
Pool revenue	-	-	32,235	32,235
Total Charges for Services	<u>-</u>	<u>-</u>	<u>32,235</u>	<u>32,235</u>
Other Revenues				
Interest	7,000	7,000	73,166	66,166
Misc Grant	-	-	2,160	2,160
Unrealized gain/(loss) on investments	-	-	14,676	14,676
Miscellaneous	1,000	1,000	8,706	7,706
Total Other Revenue	<u>8,000</u>	<u>8,000</u>	<u>98,708</u>	<u>90,708</u>
Total Revenues	<u>1,538,212</u>	<u>1,538,212</u>	<u>2,137,172</u>	<u>598,960</u>
EXPENDITURES				
Current Expenditures				
General government				
Administrative support	15,000	15,000	19,200	(4,200)
Bank service charge	1,200	1,200	868	332
Benefits	10,500	10,500	13,441	(2,941)
Capital outlay	5,000	5,000	-	5,000
Commission expense allowance	32,000	32,000	29,552	2,448
Commission discretionary fund	4,000	4,000	1,100	2,900
Communications	20,000	20,000	31,568	(11,568)
Donations	10,000	10,000	1,000	9,000
Dues and publications	5,000	5,000	3,613	1,387
Economic development	10,000	10,000	-	10,000
Elections	2,000	2,000	1,533	467
Inspection expenses	23,700	23,700	12,411	11,289
Insurance	9,000	9,000	9,961	(961)
Legal announcements	4,000	4,000	2,670	1,330
Office supplies	5,000	5,000	5,530	(530)
Payroll expense	18,000	18,000	17,617	383
Professional services	155,600	155,600	94,237	61,363
Records Management	2,000	2,000	5,832	(3,832)

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

CITY OF LAKESITE, TENNESSEE

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2023

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
General government (continued)				
Salaries	144,197	144,197	138,948	5,249
Training	5,000	5,000	6,349	(1,349)
Utilities	9,000	9,000	8,804	196
Workers' compensation insurance	2,500	2,500	2,722	(222)
Total General government	<u>492,697</u>	<u>492,697</u>	<u>406,956</u>	<u>85,741</u>
Public works				
Buildings maintenance, etc.	28,000	28,000	23,199	4,801
Capital outlay – public works	5,000	5,000	-	5,000
Christmas lighting	30,000	30,000	28,786	1,214
Consulting services	30,000	30,000	30,109	(109)
Contract labor	3,000	3,000	-	3,000
Equipment & uniforms	1,000	1,000	844	156
Health insurance	67,000	67,000	29,841	37,159
Parks and playgrounds	40,000	40,000	45,393	(5,393)
Salaries	55,471	55,471	55,922	(451)
Sanitation contract labor	150,000	150,000	169,213	(19,213)
Supplies	7,500	7,500	10,256	(2,756)
Total public works	<u>416,971</u>	<u>416,971</u>	<u>393,563</u>	<u>23,408</u>
Public safety				
Animal control	11,250	11,250	11,004	246
Fire service	60,000	60,000	56,978	3,022
Supplement	25,000	25,000	25,000	-
Security	4,000	4,000	7,463	(3,463)
Sheriff contract costs	150,000	150,000	135,000	15,000
Miscellaneous	2,000	2,000	519	1,481
Total public safety	<u>252,250</u>	<u>252,250</u>	<u>235,964</u>	<u>16,286</u>
State street aid				
Emergency fund	6,000	6,000	8,755	(2,755)
Equipment	4,000	4,000	2,995	1,005
Hazardous tree removal	10,000	10,000	9,910	90
Paving and repair	120,000	120,000	99,402	20,598

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

CITY OF LAKESITE, TENNESSEE

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		
State street aid (continued)				
Right of way maintenance	18,000	18,000	13,539	4,461
Road shoulders and drainage	60,000	60,000	17,287	42,713
Streetlights	20,000	20,000	33,610	(13,610)
Street signs	3,000	3,000	1,687	1,313
Traffic lights	10,000	10,000	12,906	(2,906)
Total state street aid	<u>251,000</u>	<u>251,000</u>	<u>200,091</u>	<u>50,909</u>
Other				
Pedestrian Enhancement Grant Match	1,300,000	1,300,000	743,812	556,188
Total other	<u>1,300,000</u>	<u>1,300,000</u>	<u>743,812</u>	<u>604,191</u>
Total Expenditures	<u>2,712,918</u>	<u>2,712,918</u>	<u>1,980,386</u>	<u>780,535</u>
Net change in fund balances	(1,174,706)	(1,174,706)	156,786	(181,575)
Fund Balances - beginning	<u>3,651,556</u>	<u>3,651,556</u>	<u>3,651,556</u>	<u>-</u>
Fund Balances - end	<u><u>\$ 2,476,850</u></u>	<u><u>\$ 2,476,850</u></u>	<u><u>\$ 3,808,342</u></u>	<u><u>\$ (181,575)</u></u>

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

CITY OF LAKESITE, TENNESSEE

Notes to Financial Statements

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Lakesite, Tennessee (the “Town”) have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting standards. The following is a summary of significant accounting policies:

A. Reporting Entity

The City of Lakesite, Tennessee, is a municipal corporation incorporated in 1972 under provisions of the laws of Tennessee. The City is governed by an elected mayor and four other commissioners who jointly appoint a city manager to oversee the general administrative responsibilities.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with the subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement Number 14, “The Financial Reporting Entity,” and GAAP. This statement requires that the financial statements present the City of Lakesite, Tennessee (the primary government) and any component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting one of the following criteria: the primary government is accountable for the component unit (i.e., the primary government appoints the voting majority of the potential component unit board and the primary government is able to impose its will upon the potential component unit), or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government.

Based on the foregoing criteria, there are no entities which meet the above criteria for the City of Lakesite, Tennessee.

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

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures or expenses as appropriate. Governmental resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

CITY OF LAKESITE, TENNESSEE
Notes to Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation- (Continued)

The basic financial statements of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

C. Government-wide financial statements

The City government-wide financial statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of Governmental Activities for the City accompanied by a total column. The City has no business-type or fiduciary activities.

These statements are presented in an “economic resources measurement focus” and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services; 2) operating grants and contributions; and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement Number 34 in regard to interfund activities, payables and receivables.

D. Fund Balance flow assumptions

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

CITY OF LAKESITE, TENNESSEE
Notes to Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes.

Nonspendable fund balance— represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance— represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

Committed fund balance— represents amounts that can only be used for specific purposes imposed by an ordinance in the City Commission. Committed resources cannot be used for any other purpose unless the City Commission removes or changes the specified use by ordinance.

Assigned fund balance— represents the amounts the City intends to use for specific purposes as expressed by City Commission resolution or an official delegated the authority to assign amounts. The City Manager has been granted the ability to assign amounts to a specific purpose as part of the annual budget ordinance. This is the residual classification for all governmental funds other than the General Fund.

Unassigned fund balance— represents the residual classification for the General Fund or deficit balances in other funds.

F. Government Fund financial statements

Government fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the government-wide financial statements. The following are the City's major funds:

- General Fund - The general fund is the City's primary operating fund. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

CITY OF LAKESITE, TENNESSEE
Notes to Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. Government Fund financial statements-(Continued)

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to financial expenditures of the current period. Accordingly, revenues are recognized when received in cash, except that revenues subject to accrual (generally sixty days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax and sales tax. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

G. Subsequent events

Management has evaluated subsequent events through March 1, 2024, the date the financial statements were available to be issued.

H. Budgets and budgetary accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end. Budgeted amounts are as originally adopted, or as amended by the Board prior to June 30, 2023.

I. Cash and cash equivalents and investments.

Cash and cash equivalents for balance sheet purposes, consist of demand deposits and certificates of deposit with original maturities of three months or less and investments in the State of Tennessee's Local Government Investment Pool.

Investments are carried at market. Per the investment policy established by the City, investments are held in certificates of deposit and fixed income securities. Fixed income securities must exclude corporate bonds and shall not exceed fourteen years in maturity or average life. The City's investment objectives are the preservation of principal while providing potential gains in good market conditions and the minimization of low or negative returns in poor market conditions.

The City of Lakesite, Tennessee is authorized by Tennessee statutes to invest in the following:

- Deposit accounts with eligible depository institutions
- Obligations of the State of Tennessee or other states
- Obligations issued by the United States government
- Obligations fully insured or guaranteed by the United States government or a United States government agency
- Obligations of any corporation of the United States government
- Prime banker's acceptance
- The local government investment pool established by the Tennessee Code Annotated Title Chapter 4, Part 7
- Obligations of other political subdivisions of this State

CITY OF LAKESITE, TENNESSEE
Notes to Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

J. Encumbrances

Encumbrance accounting is used for the general fund. Encumbrances are identified when contracts are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance on the balance sheet. Encumbrances for contract costs do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated.

K. Capital Assets

Capital assets, including infrastructure additions are recorded at historical cost. Contributed capital assets are recorded at their estimated fair market value on the date contributed. Capital assets include public domain infrastructure assets consisting of roads, bridges, streets and sidewalks, sewers, lighting systems and drainage systems. The City defines capital assets as assets with an initial, individual cost of more than \$500 (\$5,000 for infrastructure assets) and an estimated useful life of three years or more.

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

	<u>Useful life</u>
Buildings and improvements	10 - 50 years
Equipment	5 - 20 years
Infrastructure	40 years
Vehicles	10 years

L. Deferred outflows/inflows of resources

In addition to assets, the statement of net assets will sometimes report a separate section for deferred outflows of resources. This represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (as either an expense or expenditure) until that period. The City has reported deferred outflows related to Pensions.

In addition to liabilities, the statement of net assets will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that period. The City has one item that qualifies for reporting in this category: (1) Unavailable revenue for property taxes recorded as receivables for the current calendar year tax levy which is not due until October 1. This amount, reported on the governmental funds balance sheet, will be recognized as revenue next year as it is received.

CITY OF LAKESITE, TENNESSEE
Notes to Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

M. Property taxes

Under State law, municipalities may levy a property tax. Property tax revenues are recognized on the modified accrual basis. A receivable should be recognized as of the date when an enforceable legal claim to the taxable property arises. This date is known as the “lien date”. The receivable should be recognized as of year-end, June 30. The receivable should be recognized for the entire tax levy of the ensuing fiscal year. Taxes not expected to be collected within sixty days after the end of the fiscal year are recorded as deferred revenue.

The property tax calendar applicable to the current fiscal year is as follows:

Lien date	January 1
Levy date	October 1
Tax bills mailed	October 1
Payment due dates	October 1 through February 28
Delinquency date	March 1

The tax rate for the 2023 levy year was \$0.201 per \$100 of valuation.

NOTE 2 – CASH DEPOSITS AND INVESTMENTS

Cash deposits and investments as of June 30, 2023, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 2,822,849
Investments	<u>816,321</u>
Total cash deposits and investments	<u>\$ 3,639,170</u>

Cash deposits and investments as of June 30, 2023, consist of the following:

Cash on hand	\$ 300
Deposits with financial institutions	2,822,549
Investments	<u>816,321</u>
Total cash deposits and investments	<u>\$ 3,639,170</u>

A. Deposits

The City's policies limit deposits to those allowed by applicable state laws. State statutes require that all deposits with financial institutions must be collateralized with securities whose market value is equal to 105% of the value of the uninsured deposits. The deposits must be covered by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the City's agent in the City's name, or by the Federal Reserve Banks acting as third party agents.

CITY OF LAKESITE, TENNESSEE
Notes to Financial Statements
June 30, 2023

NOTE 2 – CASH DEPOSITS AND INVESTMENTS – (Continued)

A. Deposits – (continued)

At June 30, 2023, the City's deposits had a carrying amount of \$2,822,549 and a bank balance of \$2,938,966. The City's bank balances at year-end were entirely insured or collateralized by either federal depository insurance or the Tennessee Bank Collateral Pool or with securities held by the City's agent in the City's name.

B. Investments

State statutes authorize the City to invest in bonds, notes or treasury bills of the United States and obligations guaranteed by the United States or any of its agencies; certificates of deposit at Tennessee state chartered banks and a savings and loan associations and federally chartered banks and savings and loan associations; repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities; and the State of Tennessee's Local Government Investment Pool (LGIP). 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.

At June 30, 2023, the City's investment balances were as follows:

	<u>Maturities</u>	<u>Fair Value</u>
Investment in the LGIP	Daily	\$2,219,426
Money Market	Daily	107,112
Bank certificates of deposit		<u>709,209</u>
Total investments		<u>\$3,035,747</u>

The LGIP is not registered with the Securities and Exchange Commission (SEC), but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the "Investment Company Act of 1940". Rule 2a-7 allows SEC registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. Participation in the LGIP is voluntary. As a participant, the City must report its position in the pool to be in compliance. Because the pool is basically valued at a constant dollar, the City's position in the pool is its account balance for any reporting period. The oversight for the LGIP is the State Funding Board comprised of the State Treasurer, Comptroller, Governor, Secretary of State and Commissioner of Finance and Administration. All funds invested in the LGIP will return 100% of principal plus interest at a calculated rate.

C. Interest rate risk

As a means of limiting its exposure to fair value losses arising from interest rates, the City's investment strategy limits at least half of the City's investment portfolio to maturities of less than 2 years. Also, the City's investment policy requires purchases of securities to be ladderized with staggered maturity dates and limits all securities to a final maturity of no more than 15 years. The investment portfolio did not experience significant fluctuations in fair value during the year.

CITY OF LAKESITE, TENNESSEE
Notes to Financial Statements
June 30, 2023

NOTE 2 – CASH DEPOSITS AND INVESTMENTS – (Continued)

D. Credit risk

State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. At June 30, 2023, the City's investment in Federal National Mortgage Association bonds was rated Aaa by Moody's Investors Service and A by Standard & Poor's Rating Service. The City's investment in the LGIP was unrated as of June 30, 2023.

During 2023, the City realized an increase in investments of \$474,988. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. This amount takes into account all changes in fair value, such as dividend and interest payments received, that occurred during the year.

NOTE 3 – DUE FROM OTHER GOVERNMENTS

The amount due from other governments as of June 30, 2023, consists of the following:

Hamilton County, Tennessee	\$ 123,046
State of Tennessee	58,130
Due from third parties	<u>19,115</u>
	<u>\$ 200,291</u>

NOTE 4 – RISK MANAGEMENT

Significant losses are covered by the Tennessee Municipal League Risk Management Pool (general liability, workers' compensation, errors or omissions liability and physical damage) or commercial insurance for other programs (employee dishonesty). For insured programs, there have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 5 – RESTRICTIONS ON NET POSITION

Each year the City receives funds from the State of Tennessee which are restricted in their use. They are restricted for expenditures related to the maintenance of roadways within the community. The City's expenditures in this category typically exceed the amount of funds provided by the State, as a result there are no restricted funds remaining at June 30, 2023.

NOTE 6 – COMPENSATED ABSENCES

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. A liability is not reported for unpaid accumulated vacation or sick pay benefits which does not vest and is not paid upon termination.

CITY OF LAKESITE, TENNESSEE
Notes to Financial Statements
June 30, 2023

NOTE 7 – CAPITAL ASSETS

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

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Non-depreciable assets:				
Land	\$ 176,307	\$ -	\$ -	\$ 176,307
Construction in progress	1,010,759	-	(1,010,759)	-
Total non-depreciable assets	1,187,066	-	(1,010,759)	176,307
Depreciable assets:				
Buildings and improvements	1,287,022	-	-	1,287,022
Vehicles	92,768	-	-	92,768
Equipment	729,419	-	-	729,419
Infrastructure	1,643,640	1,754,571	-	3,398,211
Total depreciable assets	3,752,849	1,754,571	-	5,507,420
Less: accumulated depreciation	1,655,484	276,460	-	1,931,944
Capital assets, net	\$ 3,284,431	\$ 1,478,111	\$ (1,010,759)	\$ 3,751,783

NOTE 8 – DEFERRED OUTFLOWS RELATED TO PENSIONS

Deferred outflows related to pensions at June 30, 2023, consists of \$13,441 of current year employer contributions.

NOTE 9 – PENSION PLAN

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 TCRS. Employees are non-contributory. The plan was opened in July 2022. Full disclosures and schedules will be available for the year ended June 30, 2024.

SUPPLEMENTAL DATA SECTION

CITY OF LAKESITE, TENNESSEE
SCHEDULE OF INSURANCE COVERAGE
June 30, 2023

Crime Coverage:

Employee dishonesty, per loss	\$ 150,000
Forgery or alteration	\$ 150,000
Theft, disappearance or destruction	\$ 150,000
Computer fraud	\$ 150,000

Comprehensive General Liability:

Bodily injury or personal injury to -	
Anyone person per occurrence	\$ 300,000
Any two or more persons per occurrence	\$ 700,000
Property damage per occurrence	\$ 100,000
Errors and omissions per occurrence	\$ 700,000
Catastrophic medical expenses in excess of bodily injury	\$ 1,000,000

Workers' Compensation:

Per accident	\$ 300,000
Disease policy -	
Per employee	\$ 300,000
Maximum limit	\$ 700,000

Buildings and Equipment:

City Hall (building and contents)	\$ 1,960,025
Equipment - including data processing equipment	\$ 38,450

CITY OF LAKESITE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Year Ended June 30, 2023

Federal/State Grantor Pass-through Grantor Program Title	Assistance Listing Number	Grant/Project Number	Grant Expenditures
<u>Federal Programs</u>			
Tennessee Department of Transportation Pedestrian Enhancement Grant	20.505	33LPLM-F3-169	\$ 743,812
Total Federal Programs			\$ 743,812

Notes to Schedule:

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the City of Lakesite, Tennessee under programs of federal government for the year ended June 30, 2023. 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 on 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) The City has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

CITY OF LAKESITE, TENNESSEE
SCHEDULE OF TAX RATES AND ASSESSED VALUATION
LAST TEN YEARS
June 30, 2023

<u>Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate per \$100 Valuation</u>	<u>Net Taxes Levied</u>
2023	\$ 65,245,365	\$ 0.201	\$ 133,024
2022	\$ 62,600,000	\$ 0.201	\$ 125,826
2021	\$ 54,766,809	\$ 0.235	\$ 128,702
2020	\$ 51,841,702	\$ 0.235	\$ 121,828
2019	\$ 50,088,085	\$ 0.235	\$ 117,707
2018	\$ 47,210,213	\$ 0.235	\$ 110,944
2017	\$ 47,210,213	\$ 0.235	\$ 110,944
2016	\$ 46,802,128	\$ 0.235	\$ 109,985
2015	\$ 45,663,333	\$ 0.240	\$ 109,592
2014	\$ 45,646,250	\$ 0.240	\$ 109,551

CITY OF LAKESITE, TENNESSEE
SCHEDULE OF CHANGES IN TAXES RECEIVABLE
Year Ended June 30, 2023

Tax Year (1)	Property Taxes Receivable Balance June 30, 2022	Property Taxes Levied	Anticipated Current Year Levy (2)	Net Pick-Ups and Charge-Offs	Collections	Property Taxes Receivable Balance June 30, 2023
2023	\$ -	\$ -	\$ 125,000	\$ -	\$ -	\$ 125,000
2022	125,000	131,987	-	(125,000)	129,266	2,721
2021	3,635	-	-	(2,485)	1,150	-
2020	1,332	-	-	(404)	293	635
2019	1,269	-	-	2,884	62	4,091
2018	965	-	-	-	-	965
2017	-	-	-	154	-	154
	<u>\$ 132,201</u>	<u>\$ 131,987</u>	<u>\$ 125,000</u>	<u>\$ (124,851)</u>	<u>\$ 130,771</u>	<u>\$ 133,566</u>

Note:

- (1) According to the Clerk and Master of Hamilton County, Tennessee, all years prior to 2017 have been substantially recovered through collection or sale.
- (2) Accrual of the anticipated current year levy is required by GASB Statement No. 33.

CITY OF LAKESITE, TENNESSEE
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
June 30, 2023

Fiscal Year Ended June 30	Original Tax Levy	Original Amount Collected	Percentage of Levy	Collections in Subsequent Years	Total Amount Collected	Percentage of Levy
2023	\$ 131,987	\$ 129,266	97.9%	\$ 1,506	\$ 129,266	97.9%
2022	128,702	125,067	97.2%	-	125,067	97.2%
2021	123,673	121,828	98.5%	506	122,334	98.9%
2020	119,713	115,557	96.5%	2	115,559	96.5%
2019	117,434	115,177	98.1%	1,292	116,469	99.2%
2018	109,874	108,838	99.1%	200	109,038	99.2%
2017	109,655	107,401	97.9%	493	107,894	98.4%
2016	109,592	107,561	98.1%	2,634	110,195	100.6%
2015	109,551	104,388	95.3%	3,153	107,451	98.1%
2014	108,679	106,606	98.1%	393	106,999	98.5%

INTERNAL CONTROL AND COMPLIANCE SECTION

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

Mayor and Board of Commissioners
City of Lakesite, 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, and each major fund of The City of Lakesite, 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 of Lakesite, Tennessee's basic financial statements, and have issued our report thereon dated March 1, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of 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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The City of Lakesite, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Lakesite, Tennessee's Response to Findings

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

Purpose of This Report

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



Matlock Clements, P.C.
Murfreesboro, Tennessee
March 1, 2024

CITY OF LAKESITE, TENNESSEE
Schedule of Findings and Responses
For the Year Ended June 30, 2023

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

II. Financial Statement Findings – Required to be reported in Accordance With Government Auditing Standards.

None Noted

CITY OF LAKEISTE, TENNESSEE
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2023

**I. Prior Year Financial Statement Findings – Required to be reported in
Accordance with Government Auditing Standards.**

No prior year findings noted.