

*Financial Statements*

TOWN OF CUMBERLAND GAP, TENNESSEE

Year Ended June 30, 2015

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Mayor and Aldermen  
Town of Cumberland Gap, Tennessee  
Cumberland Gap, Tennessee

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Town of Cumberland Gap, Tennessee as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Town of Cumberland Gap, Tennessee's basic financial statements as listed in the table of contents.

***Management's Responsibility 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; this includes 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the preparation and fair presentation of the financial statements 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

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 Town of Cumberland Gap, Tennessee as of June 30, 2015, and the respective budgetary comparison of the general fund and drug fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 10 be presented to supplement the basic financial statements. Such information, 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 management's discussion and analysis 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 Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Town of Cumberland Gap, Tennessee's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedules of assets and liabilities - water and sewer activities, revenue and expenditures - water and sewer activities, investments, property taxes receivable, long-term debt requirements and expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 schedules of assets and liabilities - water and sewer activities, revenue and expenditures - water and sewer activities, investments, property taxes receivable, long-term debt requirements and expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedules of utility rates and metered customers and principal officials as well as the water utility reporting worksheet and water utility performance indicators have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2016 on our consideration of Town of Cumberland Gap, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 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 Town of Cumberland Gap, Tennessee's internal control over financial reporting and compliance.

*Mitchell Emert & Hill*

February 26, 2016

# Historic Town of Cumberland Gap

330 Colwyn Ave.  
P.O. Box 78  
Cumberland Gap, TN 37724

Phone: 423-869-3860  
Fax: 423-869-8534  
Email: cumberlandgap1@bellsouth.net

## **Management's Discussion and Analysis For the Year Ended June 30, 2015**

The management of Town of Cumberland Gap, Tennessee (the Town) presents this management's discussion and analysis (MD&A) of the Town's financial condition and results of operations for the fiscal year ended June 30, 2015. This information should be read in conjunction with the accompanying financial statements.

This MD&A presents an overview of the Town, also known as the primary government. The government-wide financial statements include the primary government which is the total reporting entity.

### **Financial Highlights**

The following are key financial highlights:

- The assets of the Town were more than its liabilities at June 30, 2015 by \$3,105,657 (\$3,183,339 in 2014).
- The Town's net position decreased by \$77,682 (\$84,848 in 2014) or 2.4 percent during the year ended June 30, 2015 (2.5 percent during 2014).
- At June 30, 2015 the Town's governmental funds reported combined ending fund balances of \$163,750, an increase of \$43,345 for the year ended June 30, 2015. At June 30, 2014 the Town's governmental funds reported combined ending fund balances of \$120,405, a decrease of \$2,404 for the year ended June 30, 2014. As of June 30, 2015, \$161,319 (\$117,958 in 2014) of governmental fund balances is unassigned and available for ongoing operations.
- At June 30, 2015 the unassigned general fund balance was \$161,319 (\$117,958 for 2014) or 49 percent (34 percent for 2014) of general fund expenditures. These unassigned fund balances demonstrate the Town's fiscal discipline and will help meet unexpected emergencies and other uncertainties the Town may face during the course of everyday operations.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, including budget comparisons, 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 Town's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all the Town'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 Town is improving or deteriorating. The *statement of activities* presents information showing how the Town'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 the related cash flows*. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements report functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities). The governmental activities of the Town include the following:

- General government
- Highways and streets
- Public safety
- Parks and recreation
- Water utilities
- Sewer services
- Sanitation

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 Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town only reports one category: governmental 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 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 better understand the long-term impact of the Town’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and changes in fund balances for the general fund and drug fund, which are considered to be major funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for all major funds and are presented on pages 18 to 25.

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

Internal Control and Compliance Section - This includes the auditors’ report on the Town’s internal controls and compliance.

### **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The Town’s assets exceeded its liabilities by \$3,105,657 at June 30, 2015.

By far, the largest portion of the Town’s net position reflects its investment in capital assets (e.g., land, buildings, water and sewer facilities, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services; consequently, these assets are *not* available for future spending. Although the investment in 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 long-term debt.

At June 30, 2015 and 2014, the Town's statement of net position consisted of the following:

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Current assets	\$ 219,661	\$ 177,737
Capital assets, net of accumulated depreciation	<u>3,287,188</u>	<u>3,410,216</u>
	<u>\$ 3,506,849</u>	<u>\$ 3,587,954</u>
<b>LIABILITIES</b>		
Current liabilities	\$ 41,166	\$ 44,790
Noncurrent liabilities	<u>337,653</u>	<u>337,565</u>
	378,819	382,355
<b>DEFERRED INFLOW OF RESOURCES</b>		
Deferred property tax revenue	22,374	22,261
<b>NET POSITION</b>		
Net investment in capital assets	2,934,031	3,055,740
Restricted	2,431	2,446
Unrestricted	<u>169,194</u>	<u>125,152</u>
	<u>3,105,657</u>	<u>3,183,339</u>
	<u>\$ 3,506,849</u>	<u>\$ 3,587,954</u>

A portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The unrestricted net position may be used to meet the obligations to employees and creditors and to help fund next year's budget.

Following is a summary of financial activities for the Town during the fiscal year ended June 30:

	<u>2015</u>	<u>2014</u>
<b>REVENUE</b>		
Program Revenue:		
Fees, fines and charges for services	\$ 219,473	\$ 193,689
Operating grants and contributions	46,571	35,674
General Revenue:		
Local taxes	53,338	54,398
Intergovernmental	44,911	42,085
Investment earnings	206	228
Insurance proceeds	<u>4,099</u>	<u>18,347</u>
	368,597	344,420

	<u>2015</u>	<u>2014</u>
<b>EXPENSES</b>		
General government	46,208	60,670
Public safety	30,306	30,637
Highways and streets	51,893	38,314
Sanitation	22,041	26,190
Parks and recreation	24,111	23,633
Water utilities	61,858	53,391
Sewer services	<u>209,862</u>	<u>196,432</u>
	<u>446,279</u>	<u>429,267</u>
<b>(Decrease) in net position</b>	(77,682)	(84,848)
<b>Net position at the beginning of the year</b>	<u>3,183,339</u>	<u>3,268,186</u>
<b>Net position at the end of the year</b>	<u>\$ 3,105,657</u>	<u>\$ 3,183,339</u>

Governmental Activities - For the year ended June 30, 2015, governmental activities decreased the Town's net position by \$77,682 (\$84,848 in 2014).

The Town's main sources of revenue are from property tax, local option sales tax, local and state-shared taxes, which consist of tax revenue shared by the State of Tennessee, and water and sewer service charges.

### Capital Assets

The Town's investment in capital assets as of June 30, 2015 was \$3,287,188 (\$3,410,216 in 2014) net of accumulated depreciation.

	<u>2015</u>	<u>2014</u>
Land	\$ 79,998	\$ 79,998
Machinery and equipment	202,259	202,259
Buildings	895,453	895,453
Plant	3,382,985	3,375,771
Vehicles	237,633	237,633
Accumulated depreciation	<u>(1,511,141)</u>	<u>(1,380,898)</u>
	<u>\$ 3,287,188</u>	<u>\$ 3,410,216</u>

The major capital asset additions during the year ended June 30, 2015 were the following:

Plant	<u>\$ 7,214</u>
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**Debt Administration**

At June 30, 2015 the Town’s general fund had outstanding debt of \$353,156 (\$354,476 in 2014) consisting of the following:

	<u>2015</u>	<u>2014</u>
Rural Development loan	\$ 321,991	\$ 327,129
Capital outlay note	0	4,677
Capital outlay note	15,360	22,670
Note payable	<u>15,805</u>	<u>0</u>
Total debt - principal	353,156	354,476
Less: current portion due	<u>(15,503)</u>	<u>(16,911)</u>
 Total long-term debt-principal	 <u>\$ 337,653</u>	 <u>\$ 337,565</u>

During the year ended June 30, 2015, the Town retired \$17,125 (\$33,828 in 2014) of debt of its governmental funds.

**Financial Analysis of the Town’s Funds**

As previously discussed, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Town’s governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town’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. The general fund’s fund balance increased by \$43,361 during the year ended June 30, 2015 (decreased by \$2,404 in 2014).

## **General Fund Budgetary Highlights**

During the year ended June 30, 2015, original budgeted revenue and expenditures were increased to account for paving expenses funded by the issuance of a note payable.

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

The Board of Mayor and Aldermen approved the budget for the year ending June 30, 2016. The estimated revenue and appropriations did not vary significantly from the budget for the year ended June 30, 2015.

## **Requests for Information**

This MD&A and accompanying financial statements and notes are designed to provide our citizens, employees, creditors and regulatory agencies with an overview of the Town's finances. If you have any questions or need additional information, you may contact:

Linda Moyers, City Recorder  
Town of Cumberland Gap, Tennessee  
P.O. Box 78  
Cumberland Gap, TN 37724  
Telephone 423-869-3860



TOWN OF CUMBERLAND GAP, TENNESSEE

**STATEMENT OF NET POSITION**

June 30, 2015

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 77,410
Certificate of deposit	73,084
Inventory	301
Customer accounts receivable, net of allowance for uncollectible accounts of \$36,000	31,206
Property taxes receivable	23,897
Due from other governments	9,714
Taxes receivable	4,051
Capital assets not being depreciated	79,998
Capital assets being depreciated, net of accumulated depreciation	<u>3,207,190</u>
	 <u><u>\$ 3,506,849</u></u>

See the accompanying notes to the financial statements.

	<u>Governmental Activities</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 24,039
Sales tax payable	1,624
Current portion of long-term debt	15,503
Long-term debt, net of current portion	<u>337,653</u>
	378,819
<b>DEFERRED INFLOW OF RESOURCES</b>	
Deferred property tax revenue	22,374
<b>NET POSITION</b>	
Net investment in capital assets	2,934,031
Restricted for drug enforcement	2,431
Unrestricted	<u>169,194</u>
	<u>3,105,657</u>
	<u><u>\$ 3,506,849</u></u>



TOWN OF CUMBERLAND GAP, TENNESSEE

**STATEMENT OF ACTIVITIES**

Year Ended June 30, 2015

		<u>Program Revenue</u>	
	<u>Expenses</u>	<u>Fees, and Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>Governmental Activities:</b>			
General government	\$ 46,208	\$ 3,994	\$ 20,937
Highways and streets	51,893	0	12,954
Sanitation	22,041	16,930	0
Public safety	30,306	75	12,680
Parks and recreation	24,111	0	0
Water utilities	61,858	64,394	0
Sewer services	209,862	134,080	0
	<u>\$ 446,279</u>	<u>\$ 219,473</u>	<u>\$ 46,571</u>
<b>General Revenue:</b>			
Taxes:			
Property taxes			
Local sales tax			
Wholesale beer tax			
Intergovernmental			
Investment earnings			
Insurance proceeds			
Total general revenue			

**CHANGE IN NET POSITION**

**NET POSITION AT THE BEGINNING OF THE YEAR**

**NET POSITION AT THE END OF THE YEAR**

See the accompanying notes to the financial statements.

Net (Expense)  
Revenue and  
Change In  
Net Position

\$ (21,278)  
(38,939)  
(5,111)  
(17,551)  
(24,111)  
2,537  
(75,782)

(180,235)

23,327  
17,478  
12,533  
44,911  
206  
4,099

102,553

(77,682)

3,183,339

\$ 3,105,657

TOWN OF CUMBERLAND GAP, TENNESSEE

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**

June 30, 2015

	<u>General Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 74,980	\$ 2,431	\$ 77,410
Certificate of deposit	73,084	0	73,084
Inventory	301	0	301
Customer accounts receivable, net of allowance for uncollectible accounts of \$36,000	31,206	0	31,206
Property taxes receivable	23,897	0	23,897
Due from other governments	9,714	0	9,714
Taxes receivable	4,051	0	4,051
	<u>\$ 217,232</u>	<u>\$ 2,431</u>	<u>\$ 219,663</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 24,039	\$ 0	\$ 24,039
Sales tax payable	1,624	0	1,624
	<u>25,663</u>	<u>0</u>	<u>25,663</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred property taxes	23,897	0	23,897
Deferred state shared and local taxes	6,353	0	6,353
	<u>30,250</u>	<u>0</u>	<u>30,250</u>
<b>FUND BALANCES</b>			
Restricted	0	2,431	2,431
Unassigned	161,319	0	161,319
	<u>161,319</u>	<u>2,431</u>	<u>163,750</u>
	<u>\$ 217,232</u>	<u>\$ 2,431</u>	<u>\$ 219,663</u>

See the accompanying notes to the financial statements.

TOWN OF CUMBERLAND GAP, TENNESSEE

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

June 30, 2015

<b>Total Fund Balance - Governmental Funds</b>	\$ 163,750
Capital assets used in governmental activities are reported in the statement of net position; however, they are not current financial resources and therefore are not reported in the governmental funds balance sheet.	3,287,188
Some of the Town's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures; therefore, they are reported as deferred revenue in the governmental funds balance sheet.	7,876
Long-term liabilities are not due in the current period and, therefore, are not reported in the governmental funds balance sheet.	<u>(353,156)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 3,105,657</u></b>

See the accompanying notes to the financial statements.

TOWN OF CUMBERLAND GAP, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

Year Ended June 30, 2015

	<u>General Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
<b>REVENUE</b>			
Taxes:			
Property taxes	\$ 22,805	\$ 0	\$ 22,805
Local sales tax	17,565	0	17,565
Wholesale beer tax	12,533	0	12,533
Intergovernmental	77,689	0	77,689
Charges for services	213,448	0	213,448
Fines and forfeitures	2,515	0	2,515
Licenses and permits	3,481	0	3,481
Contributions	13,575	0	13,575
Interest earnings	206	0	206
Insurance proceeds	4,099	0	4,099
	<hr/>	<hr/>	<hr/>
<b>TOTAL REVENUE</b>	367,915	0	367,915
<b>EXPENDITURES</b>			
Current:			
General government	41,298	0	41,298
Highways and streets	50,844	0	50,844
Solid waste services	22,041	0	22,041
Public safety	19,617	16	19,632
Parks and recreation	3,485	0	3,485
Water utilities	61,122	0	61,122
Sewer services	104,336	0	104,336
Capital outlay	7,214	0	7,214
Debt service	30,403	0	30,403
	<hr/>	<hr/>	<hr/>
<b>TOTAL EXPENDITURES</b>	340,359	16	340,375

TOWN OF CUMBERLAND GAP, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

(continued)

Year Ended June 30, 2015

	<u>General Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
<b>EXCESS(DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	27,556	(16)	27,540
<b>OTHER FINANCING SOURCES</b>			
Note proceeds	<u>15,805</u>	<u>0</u>	<u>15,805</u>
<b>EXCESS(DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	43,361	(16)	43,345
<b>FUND BALANCES AT THE BEGINNING OF THE YEAR</b>	<u>117,958</u>	<u>2,446</u>	<u>120,405</u>
<b>FUND BALANCES AT THE END OF THE YEAR</b>	<u><u>\$ 161,319</u></u>	<u><u>\$ 2,431</u></u>	<u><u>\$ 163,750</u></u>

See the accompanying notes to financial statements.

TOWN OF CUMBERLAND GAP, TENNESSEE

**RECONCILIATION OF THE STATEMENT OF REVENUE,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2015

<b>Excess of Revenue and Other Financing Sources Over Expenditures - Governmental Funds</b>	<b>\$ 43,345</b>
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>	
Acquisition of capital assets	7,214
Depreciation expense	(130,243)
<p>Long-term debt proceeds provide current financial resources in the governmental funds; however, the issuance of debt increases long-term debt obligations for governmental activities.</p>	
	(15,805)
<p>Repayment of long-term debt is an expenditure in the governmental funds, but reduces the long-term liabilities for governmental activities.</p>	
	17,125
<p>Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental fund financial statements:</p>	
Deferred tax revenue - June 30, 2014	(7,195)
Deferred tax revenue - June 30, 2015	<u>7,876</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (77,682)</u></b>

See the accompanying notes to the financial statements.

TOWN OF CUMBERLAND GAP, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET  
GENERAL FUND**

Year Ended June 30, 2015

	Budget		Actual	Variance Over (Under)
	Original	Final		
<b>REVENUE</b>				
Taxes:				
Property tax	\$ 22,564	\$ 22,564	\$ 22,805	\$ 241
Local sales tax	17,000	17,000	17,565	565
Wholesale beer tax	15,000	15,000	12,533	(2,467)
	<u>54,564</u>	<u>54,564</u>	<u>52,903</u>	<u>(1,661)</u>
Intergovernmental:				
State income tax	50	50	479	429
State beer tax	247	247	236	(11)
State sales tax	35,815	37,022	37,244	222
State gasoline and motor fuel tax	13,215	13,215	12,954	(260)
City streets and transportation	1,013	1,013	1,008	(6)
FEMA grant	0	18,541	18,541	0
THDA home grant	0	1,500	1,500	0
TVA-In Lieu of tax	5,464	5,702	5,726	24
	<u>55,803</u>	<u>77,290</u>	<u>77,689</u>	<u>399</u>
Charges for services:				
Water utility charges	54,850	63,589	63,450	(140)
Sewer collection charges	114,500	132,747	132,610	(137)
Garbage collection charges	17,275	17,275	16,830	(445)
Other charges	2,075	2,075	559	(1,516)
	<u>188,700</u>	<u>215,686</u>	<u>213,448</u>	<u>(2,237)</u>
Fines and forfeitures:				
Garbage penalties	150	150	100	(50)
Utility penalties	2,075	2,125	2,415	290
	<u>2,225</u>	<u>2,275</u>	<u>2,515</u>	<u>240</u>



TOWN OF CUMBERLAND GAP, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET  
GENERAL FUND**

(continued)

Year Ended June 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Licenses and permits:				
Building permits	2,000	2,000	1,850	(150)
Business license	1,500	1,500	331	(1,169)
Beer and liquor license	700	1,150	1,300	150
	<u>4,200</u>	<u>4,650</u>	<u>3,481</u>	<u>(1,169)</u>
Other revenue:				
Contributions	7,375	13,679	13,575	(103)
Interest earnings	273	273	206	(67)
Insurance proceeds	500	4,598	4,099	(499)
	<u>8,148</u>	<u>18,550</u>	<u>17,880</u>	<u>(670)</u>
<b>TOTAL REVENUE</b>	<b>313,640</b>	<b>373,014</b>	<b>367,915</b>	<b>(5,099)</b>

**EXPENDITURES**

General government:

Salaries and wages	10,775	10,775	9,135	(1,640)
Payroll taxes	824	824	790	(34)
Unemployment insurance	170	170	111	(59)
Payroll processing	156	156	145	(11)
Dues and subscriptions	1,980	1,980	1,595	(385)
Utilities	5,504	5,730	6,333	603
Professional services	13,275	7,311	8,096	785
Travel	250	250	127	(123)
Operating supplies	50	50	0	(50)
Office supplies and postage	2,350	3,390	2,967	(424)
Liability insurance	5,850	3,122	3,954	831
Surety bond	180	180	180	0
Workers' compensation	1,000	68	1,191	1,123

TOWN OF CUMBERLAND GAP, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET  
GENERAL FUND**

(continued)

Year Ended June 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
General government (continued):				
Property insurance	13,000	4,678	5,007	329
Repairs and maintenance	350	350	283	(67)
Education and training	200	200	170	(30)
	<u>55,914</u>	<u>39,235</u>	<u>40,081</u>	<u>846</u>
Highways and streets:				
Salaries and wages	9,776	11,621	11,621	0
Payroll taxes	748	793	890	97
Unemployment insurance	293	311	130	(181)
Payroll processing	156	156	145	(11)
Utilities	1,727	1,727	1,457	(270)
Repairs and maintenance	2,250	3,849	4,153	304
Fuel	4,000	2,876	2,237	(639)
Operating supplies	100	100	0	(100)
Insurance	2,400	2,400	2,400	0
Paving	0	15,805	15,805	0
Uniforms	468	468	468	0
	<u>21,918</u>	<u>40,107</u>	<u>39,307</u>	<u>(800)</u>
State Street Aid:				
Street lighting	11,500	11,537	11,537	0
Solid waste services:				
Salaries and wages	10,121	10,121	10,061	(60)
Payroll taxes	774	774	766	(8)
Unemployment insurance	304	304	135	(169)
Office supplies and postage	1,470	1,470	1,326	(144)
Landfill fees	3,665	3,665	3,625	(40)

TOWN OF CUMBERLAND GAP, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET  
GENERAL FUND**

(continued)

Year Ended June 30, 2015

	Budget		Actual	Variance
	Original	Final		Over (Under)
Solid waste services (continued):				
Fuel	1,850	2,650	1,086	(1,564)
Liability insurance	0	687	649	(38)
Workers' compensation	0	495	477	(18)
Property insurance	0	321	110	(211)
Professional services	0	1,376	1,376	0
Repairs and maintenance	500	2,028	2,431	403
	<u>18,683</u>	<u>23,891</u>	<u>22,041</u>	<u>(1,850)</u>
Police department:				
Fuel	50	50	0	(50)
Fire department:				
Salaries and wages	1,200	1,200	1,100	(100)
Payroll taxes	92	92	83	(9)
Unemployment insurance	36	36	34	(2)
Dues and subscriptions	10	10	10	0
Utilities	3,542	3,542	3,307	(235)
Repairs and maintenance	300	300	50	(250)
Fuel	750	750	129	(621)
Travel	100	100	0	(100)
Office supplies and postage	100	100	0	(100)
Training	200	200	0	(200)
Small equipment	5,500	5,904	7,439	1,535
Insurance	7,100	7,100	7,182	82
	<u>18,930</u>	<u>19,334</u>	<u>19,334</u>	<u>0</u>

TOWN OF CUMBERLAND GAP, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET  
GENERAL FUND**

(continued)

Year Ended June 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Parks and recreation:				
Salaries and wages	0	73	73	0
Payroll taxes	0	6	6	0
Unemployment insurance	0	2	2	0
Utilities	1,726	1,726	2,257	531
Repairs and maintenance	1,500	1,500	633	(867)
Office supplies and postage	875	875	255	(620)
Operating supplies	250	250	110	(140)
Miscellaneous	250	250	150	(100)
	<u>4,601</u>	<u>4,681</u>	<u>3,485</u>	<u>(1,196)</u>
Water utilities:				
Salaries and wages	11,960	11,960	12,071	111
Payroll taxes	915	915	915	0
Unemployment insurance	359	359	127	(231)
Water purchased for resale	27,600	36,684	36,684	0
Professional services	0	4,694	4,794	100
Office supplies and postage	1,600	1,608	1,767	159
Operating supplies	50	50	458	408
Fuel	0	1,000	1,158	158
Dues and subscriptions	300	300	331	31
Repairs and maintenance	1,000	1,000	643	(357)
Water testing	500	500	490	(10)
Liability insurance	0	1,057	1,000	(57)
Workers' compensation	0	290	276	(14)
Property insurance	0	321	110	(211)
Annual maintenance fee	384	384	301	(83)
	<u>44,668</u>	<u>61,122</u>	<u>61,122</u>	<u>0</u>

TOWN OF CUMBERLAND GAP, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET  
GENERAL FUND**

(continued)

Year Ended June 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Sewer services:				
Salaries and wages	8,905	8,905	9,330	425
Payroll taxes	681	681	705	24
Unemployment	267	267	100	(167)
Office supplies and postage	2,350	2,350	1,931	(419)
Utilities	26,776	26,776	24,846	(1,930)
Professional services	38,550	38,444	39,631	1,187
Dues and subscriptions	300	300	275	(25)
Repairs and maintenance	3,250	13,495	13,495	0
Operating supplies	10,635	19,137	3,632	(15,506)
Fuel	0	600	695	95
Liability insurance	0	984	812	(172)
Workers' compensation	0	147	135	(12)
Property insurance	0	7,680	7,709	29
Permit fee	1,040	1,040	1,041	1
	<u>92,754</u>	<u>120,805</u>	<u>104,336</u>	<u>(16,469)</u>
Community development:				
Home rehabilitation	0	1,500	1,500	0
Capital outlay:				
Water and sewer utilities	0	0	7,214	7,214
Debt service:				
Principal	15,574	15,580	17,125	1,545
Interest	14,593	14,823	13,278	(1,545)
	<u>30,168</u>	<u>30,403</u>	<u>30,403</u>	<u>0</u>
<b>TOTAL EXPENDITURES</b>	<u>299,186</u>	<u>352,664</u>	<u>340,359</u>	<u>(12,305)</u>

TOWN OF CUMBERLAND GAP, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET  
GENERAL FUND**

(continued)

Year Ended June 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	14,453	20,350	27,556	7,206
<b>OTHER FINANCING SOURCES</b>				
Note proceeds	<u>0</u>	<u>15,805</u>	<u>15,805</u>	<u>0</u>
<b>EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	14,453	36,155	43,361	7,206
<b>FUND BALANCE AT THE BEGINNING OF THE YEAR</b>	<u>0</u>	<u>0</u>	<u>117,959</u>	<u>117,959</u>
<b>FUND BALANCE AT THE END OF THE YEAR</b>	<u>\$ 14,453</u>	<u>\$ 36,155</u>	<u>\$ 161,319</u>	<u>\$ 125,165</u>

See the accompanying independent accountants' audit report.

TOWN OF CUMBERLAND GAP, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET  
DRUG FUND**

Year Ended June 30, 2015

	<u>Budget</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over (Under)</u>
<b>REVENUE</b>				
Drug related fines	\$ 0	\$ 0	\$ 0	\$ 0
<b>EXPENDITURES</b>				
Sundry	<u>0</u>	<u>16</u>	<u>16</u>	<u>0</u>
<b>(DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	0	(16)	(16)	0
<b>FUND BALANCE AT THE BEGINNING OF THE YEAR</b>	<u>0</u>	<u>16</u>	<u>2,446</u>	<u>2,431</u>
<b>FUND BALANCE AT THE END OF THE YEAR</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,431</u>	<u>\$ 2,431</u>

See the accompanying independent accountants' audit report.

TOWN OF CUMBERLAND GAP, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2015

**NOTE A - DESCRIPTION OF ORGANIZATION**

Town of Cumberland Gap, Tennessee (the Town) was incorporated under Chapter 210, Acts of 1907, as amended by Chapter 72, Private Acts of 1915. The Town operates under a Board of Mayor and Aldermen form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, water and sewer utilities, public improvements, planning and zoning, and general administrative services.

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

Reporting Entity

The Town, for financial reporting purposes, includes all funds relevant to the operation of Town of Cumberland Gap, Tennessee. The financial statements presented herein do not include agencies which have been formed under applicable state laws, or separate and distinct units of government apart from the Town. As of June 30, 2015, and for the year then ended, the Town had no discretely presented component units which were required to be included in these financial statements.

Government-wide and fund financial statements

The government-wide financial statements, which consist of the statement of net position and the statement of activities, report information on all nonfiduciary activities of the Town. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 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 revenue are reported instead as general revenue.

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Grants and similar items are recognized as revenue as soon as all requirements imposed by the provider have been met.



TOWN OF CUMBERLAND GAP, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenue to be available if it is collected within 30 days after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures related to claims and judgments, are recorded only when the payment is due.

All trade receivables are shown net of an allowance for uncollectible accounts. Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. In Tennessee, this date is January 1<sup>st</sup>, and is referred to as the lien date. Revenue from property taxes, however, is recognized in the period for which the taxes are levied, which for the Town is October 1<sup>st</sup> of the ensuing fiscal year. Since the receivable for property taxes is recognized before the period of revenue recognition, the entire amount of the receivable, less an amount for uncollectible taxes, is reported as deferred revenue in the fund financial statements and unearned revenue in the government-wide financial statements as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied and uncollected during the current fiscal year as well as the previous two fiscal years. These property tax receivables are presented on the general fund balance sheet with offsetting deferred revenue to reflect the amounts not available as of June 30. Property taxes collected within 60 days of year end are considered available and are accrued as revenue. Property taxes collected later than 60 days after year end are not considered available and are accrued and reported as deferred revenue. An allowance for uncollectible taxes is also recorded representing the estimated amount of delinquent taxes receivable that will be filed with the Claiborne County Clerk and Master for collection.

TOWN OF CUMBERLAND GAP, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

The Town reports the following major governmental funds:

The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *drug fund* is used to account for costs associated with drug investigation and control and officers' training.

The Town had no internal service funds or fiduciary funds as of or for the year ended June 30, 2015.

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting reporting purposes into the following three net position groups:

Net investment in capital assets

This category includes capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Net investment in capital assets at June 30, 2015 has been calculated as follows:

Governmental activities:

Capital assets	\$ 4,798,328
Accumulated depreciation	(1,511,141)
Principal balance on long-term debt	<u>(353,156)</u>
	<u>\$ 2,934,031</u>

Restricted

This category includes net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the Town pursuant to those stipulations or that expire by the passage of time. Net position of the drug fund is classified as restricted net position because its use is limited to police drug enforcement or education programs. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

TOWN OF CUMBERLAND GAP, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

Unrestricted

This category includes net position that is not subjected to externally imposed stipulations and that does not meet the definition of “restricted” or “net investment in capital assets.” Unrestricted net position may be designated for specific purposes by action of management or the Board of Mayor and Aldermen or may otherwise be limited by contractual agreements with outside parties.

Fund Balances

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* establishes standards for fund balance classifications for state and local governments and requires that resources be classified for accounting reporting purposes into the following fund balances:

Nonspendable Fund Balance

Fund balances reported as nonspendable in the accompanying financial statements represent amounts for prepaid expenses or inventory.

Restricted Fund Balance

Fund balances reported as restricted in the accompanying financial statements represent amounts restricted to specific purposes by externally imposed restrictions or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance

Fund balances reported as committed in the accompanying financial statements represent amounts that can be used only for the specific purposes determined by a formal action of the Town’s highest level of decision-making authority. The Board of Mayor and Aldermen commits resources for specific purposes by passing ordinances.

Assigned Fund Balance

Fund balances reported as assigned in the accompanying financial statements represent amounts that are constrained by the Town’s intent to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by the Board of Mayor and Aldermen.

TOWN OF CUMBERLAND GAP, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

Unassigned Fund Balance

In accordance with generally accepted accounting principles, the general fund is the only fund of the Town that reports amounts for unassigned fund balance. This classification represents fund balance that is not nonspendable and has not been committed to specific purposes within the general fund.

The Town would typically use restricted resources first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Budgets and Budgetary Accounting

The Board of Mayor and Aldermen are required to adopt, by ordinance, total budget appropriations by line item for all funds. The Town's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP). All budget amendments must be approved by the Board of Mayor and Aldermen. Unused appropriations lapse at the end of the year.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities columns on the government-wide financial statements. Capital assets are defined by the Town as assets with an initial cost of \$10,000 or more. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at estimated fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years.

The cost of normal maintenance and repairs that does not add to the value of the assets or materially extend assets lives is not capitalized.

Compensated Absences

Employees of the Town are granted vacation and sick leave in varying amounts and may accumulate a maximum of 20 vacation days and 90 sick days. The Town's policies do not provide for an employee to be paid for any unused vacation or sick leave in the event of termination. Accordingly, no liability for compensated absences is included in the accompanying financial statements.

TOWN OF CUMBERLAND GAP, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

Inventory

Inventory which consists of materials and supplies is reported at the lower of cost (determined on a first-in, first-out basis) or market.

Allowance for Uncollectible Accounts

An allowance for uncollectible accounts of \$36,000 is provided based upon historical trends.

**NOTE C - CASH AND INVESTMENTS**

Investments that have maturities of three months or less at the date of purchase are classified as cash equivalents. Cash and investments are stated at cost which approximates market value. Carrying amounts at June 30, 2015, were as follows:

Checking and savings accounts	\$ 77,410
Certificate of deposit	<u>73,084</u>
	<u>\$ 150,494</u>

State of Tennessee law authorizes the Town to invest in obligations of the United States of America or its agencies, nonconvertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States of America or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the Tennessee Department of Treasury Local Government Investment Pool (LGIP). The LGIP contains investments in certificated of deposit, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool.

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits.

All cash balances at June 30, 2015 were entirely insured through the Federal Deposit Insurance Corporation.

TOWN OF CUMBERLAND GAP, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

**NOTE D - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2015 was as follows:

	<u>Balance</u> <u>7/1/14</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/15</u>
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated</u>				
Land	\$ 79,998	\$ 0	\$ 0	\$ 79,998
<u>Capital assets being depreciated</u>				
Buildings and improvements	895,453	0	0	895,453
Machinery and equipment	202,259	0	0	202,259
Vehicles	237,633	0	0	237,633
Water and sewer plant	<u>3,375,771</u>	<u>7,214</u>	<u>0</u>	<u>3,382,985</u>
	4,711,116	7,214	0	4,718,330
<u>Accumulated depreciation</u>				
Buildings and improvements	(265,324)	(27,677)	0	(293,002)
Machinery and equipment	(147,721)	(7,385)	0	(155,106)
Vehicles	(159,402)	(7,098)	0	(166,500)
Water and sewer plant	<u>(808,450)</u>	<u>(88,083)</u>	<u>0</u>	<u>(896,534)</u>
	<u>(1,380,898)</u>	<u>(130,243)</u>	<u>0</u>	<u>(1,511,141)</u>
	<u>\$ 3,410,216</u>	<u>\$ (123,029)</u>	<u>\$ 0</u>	<u>\$ 3,287,188</u>

Depreciation expense is charged to the various governmental functions as follows:

General government	\$ 4,695
Public safety	10,674
Highways and streets	1,049
Parks and recreation	20,626
Sewer plant	<u>93,199</u>
	<u>\$ 130,243</u>

TOWN OF CUMBERLAND GAP, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

**NOTE E - LONG-TERM DEBT**

Long-term debt at June 30, 2015 consisted of the following:

Sewer Revenue and Tax Bond, Series 2005 payable in monthly installments of \$1,563, including interest at 4.25% until maturity in 2046	\$ 321,991
Capital outlay note payable in various semiannual installments including interest at 3.25% until maturity in 2019	15,805
Note payable in various semiannual installments including interest at 3.31% until maturity in 2017	<u>15,360</u>
	353,156
Less current maturities	<u>(15,503)</u>
	<u>\$ 337,653</u>

Maturities of long-term debt as of June 30, 2015 were as follows:

Governmental Activities:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 15,503	\$ 14,594	\$ 30,097
2017	16,260	14,026	30,286
2018	8,793	13,433	22,226
2019	9,135	13,085	22,220
2020	9,488	12,723	22,211
2021	6,352	12,404	18,756
2022	6,627	12,129	18,756
2023	6,914	11,842	18,756
2024	7,214	11,542	18,756
2025	7,527	11,229	18,756
2026	7,853	10,903	18,756

TOWN OF CUMBERLAND GAP, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

Governmental Activities (continued):

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2027	8,193	10,563	18,756
2028	8,548	10,208	18,756
2029	8,919	9,837	18,756
2030	9,305	9,451	18,756
2031	9,709	9,048	18,756
2032	10,129	8,627	18,756
2033	10,568	8,188	18,756
2034	11,026	7,730	18,756
2035	11,504	7,252	18,756
2036	12,003	6,753	18,756
2037	12,523	6,233	18,756
2038	13,066	5,690	18,756
2039	13,632	5,124	18,756
2040	14,223	4,533	18,756
2041	14,839	3,917	18,756
2042	15,482	3,274	18,756
2043	16,153	2,603	18,756
2044	16,853	1,903	18,756
2045	17,583	1,173	18,756
2046	<u>17,232</u>	<u>411</u>	<u>17,643</u>
	<u>\$ 353,156</u>	<u>\$ 260,427</u>	<u>\$ 613,583</u>



TOWN OF CUMBERLAND GAP, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

Changes in long-term debt for the year ended June 30, 2015 were as follows:

	<u>Balance</u> <u>7/1/14</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/15</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
Sewer Revenue and Tax Bond					
Series 2005	\$ 327,129	\$ 0	\$ (5,138)	\$ 321,991	\$ 5,138
Capital outlay note	4,677	0	(4,677)	0	0
Capital outlay note	22,670	0	(7,310)	15,360	7,560
Note payable	<u>0</u>	<u>15,805</u>	<u>0</u>	<u>15,805</u>	<u>2,805</u>
	<u>\$ 354,476</u>	<u>\$ 15,805</u>	<u>\$ (17,125)</u>	<u>\$ 353,156</u>	<u>\$ 15,503</u>

Interest expense has been included in the direct expenses of individual functions on the government-wide statement of activities as follows:

General government	\$ 215
Water utilities	736
Sewer services	<u>12,327</u>
	<u>\$ 13,278</u>

TOWN OF CUMBERLAND GAP, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

**NOTE F - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in the Tennessee Municipal League Risk Management Pool (the Pool) and pays an annual premium to the Pool for its worker's compensation and general liability insurance. The Town carries commercial insurance for all other risks of loss, including destruction of property and employee dishonesty bonds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The pooling agreement allows the Pool to make additional assessments or refund surplus revenue to the Town. It is not possible to estimate the amount of such additional assessments or refunds.

SUPPLEMENTARY INFORMATION

TOWN OF CUMBERLAND GAP, TENNESSEE

**ASSETS AND LIABILITIES - WATER AND SEWER ACTIVITIES**

June 30, 2015

**ASSETS**

Cash and cash equivalents	\$ 14,744
Customer accounts receivable, net of allowance for uncollectible accounts of \$36,000	31,206
Capital assets being depreciated, net of accumulated depreciation	<u>2,526,942</u>

**TOTAL ASSETS** \$ 2,572,891

**LIABILITIES**

Accounts payable	\$ 20,902
Sales tax payable	1,624
Current portion of long-term debt	12,698
Long-term debt, net of current portion	<u>337,653</u>

**TOTAL LIABILITIES** \$ 372,877

See the accompanying independent accountants' audit report.

TOWN OF CUMBERLAND GAP, TENNESSEE

**REVENUE AND EXPENDITURES - WATER AND SEWER ACTIVITIES**

Year Ended June 30, 2015

**OPERATING REVENUE**

Water utility charges		\$ 62,800
Sewer collection charges		128,544
Utility penalties		3,065
Sewer service fee		1,200
Sewer legal fees		<u>2,866</u>

		<b>198,474</b>
--	--	----------------

**EXPENDITURES**

Salaries and wages	\$ 21,401	
Payroll taxes	1,847	
Utilities	24,846	
Dues and subscriptions	606	
Water purchased for resale	36,684	
Water testing	490	
Office supplies and postage	3,698	
Operating supplies	4,089	
Fuel	1,853	
Fines and fees	1,342	
Insurance	10,041	
Professional services	44,424	
Depreciation	93,199	
Repairs and maintenance	<u>14,137</u>	

		<b><u>258,657</u></b>
--	--	-----------------------

		<b>(60,183)</b>
--	--	-----------------

**NONOPERATING REVENUE(EXPENSE)**

Investment earnings	5	
Interest expense	<u>(13,063)</u>	<u>(13,058)</u>

		<b><u>\$ (73,241)</u></b>
--	--	---------------------------

See the accompanying independent accountants' audit report.

TOWN OF CUMBERLAND GAP, TENNESSEE

**INVESTMENTS**

June 30, 2015

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
<u>Certificate of Deposit</u>			
Citizens Bank #32811	0.30%	9/15/15	\$ 73,084

See the accompanying independent accountants' audit report.

TOWN OF CUMBERLAND GAP, TENNESSEE

**PROPERTY TAXES RECEIVABLE**

Year Ended June 30, 2015

<u>Year of Levy</u>	<u>Rate</u>	<u>Total Assessment</u>	<u>Levy</u>	<u>Balance June 30, 2014</u>
2015	.4500	\$ 4,972,126	\$ 22,374	\$ 0
2014	.4500	4,946,682	22,261	22,261
2013	.4500	4,599,867	21,356	608
2012	.4500	4,599,867	20,699	153
2011	.4500	4,417,064	19,886	40
2010	.4500	5,134,039	23,114	130
2009	.4500	6,579,384	29,602	27
2008	.2500	5,636,825	14,004	15
2007	.2000	4,101,829	8,205	12
2006	.2000	4,040,785	8,083	8
2005	.2000	4,047,965	8,098	8
				<u>\$ 23,262</u>

None of the delinquent property taxes have been filed with the Claiborne County Clerk and Master.

See the accompanying independent accountants' audit report.

<u>Taxes Levied</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Balance June 30, 2015</u>
\$ 22,374	\$ 0	\$ 0	\$ 22,374
0	(390)	(20,931)	940
0	0	(213)	395
0	0	(88)	65
0	0	0	40
0	0	(90)	40
0	0	0	27
0	0	0	15
0	0	(11)	1
0	0	(7)	1
<u>0</u>	<u>0</u>	<u>(8)</u>	<u>0</u>
<u>\$ 22,374</u>	<u>\$ (390)</u>	<u>\$ (21,348)</u>	<u>\$ 23,897</u>



TOWN OF CUMBERLAND GAP, TENNESSEE

**LONG-TERM DEBT REQUIREMENTS**

June 30, 2015

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Governmental Activities:</u>			
Sewer Revenue and Tax Bond			
Series 2005			
Year ending June 30,			
2016	\$ 5,138	\$ 13,618	\$ 18,756
2017	5,360	13,396	18,756
2018	5,593	13,163	18,756
2019	5,835	12,921	18,756
2020	6,088	12,668	18,756
2021	6,352	12,404	18,756
2022	6,627	12,129	18,756
2023	6,914	11,842	18,756
2024	7,214	11,542	18,756
2025	7,527	11,229	18,756
2026	7,853	10,903	18,756
2027	8,193	10,563	18,756
2028	8,548	10,208	18,756
2029	8,919	9,837	18,756
2030	9,305	9,451	18,756
2031	9,709	9,048	18,756
2032	10,129	8,627	18,756
2033	10,568	8,188	18,756
2034	11,026	7,730	18,756
2035	11,504	7,252	18,756
2036	12,003	6,753	18,756
2037	12,523	6,233	18,756
2038	13,066	5,690	18,756
2039	13,632	5,124	18,756
2040	14,223	4,533	18,756

TOWN OF CUMBERLAND GAP, TENNESSEE

**LONG-TERM DEBT REQUIREMENTS**

(continued)

June 30, 2015

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Sewer Revenue and Tax Bond Series 2005 (continued)			
Year ending June 30,			
2041	14,839	3,917	18,756
2042	15,482	3,274	18,756
2043	16,153	2,603	18,756
2044	16,853	1,903	18,756
2045	17,583	1,173	18,756
2046	17,232	411	17,643
	<u>\$ 321,991</u>	<u>\$ 258,332</u>	<u>\$ 580,323</u>
Note payable			
Year ending June 30,			
2016	\$ 2,805	\$ 468	\$ 3,273
2017	3,100	372	3,472
2018	3,200	270	3,470
2019	3,300	164	3,464
2020	3,400	55	3,455
	<u>\$ 15,805</u>	<u>\$ 1,329</u>	<u>\$ 17,134</u>
Capital outlay note			
Year ending June 30,			
2016	\$ 7,560	\$ 508	\$ 8,068
2017	7,800	258	8,058
	<u>\$ 15,360</u>	<u>\$ 766</u>	<u>\$ 16,126</u>

See the accompanying independent accountants' audit report.

TOWN OF CUMBERLAND GAP, TENNESSEE

**EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2015

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>CFDA #</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>Federal Awards</u>			
U.S. Department of Homeland Security - Federal Emergency Management Agency	97.036	FEMA-4005-DR -TN	\$ 18,541
U.S. Department of Housing and Urban Development/TN Housing Development Agency	14.239	HM-13-08	<u>1,500</u>
Total Federal Awards			<u>\$ 20,041</u>

**NOTE 1 – BASIS OF PRESENTATION**

This schedule summarizes the expenditures of Town of Cumberland Gap, Tennessee under programs of the federal and state governments for the year ended June 30, 2015. The schedule is presented using the modified accrual basis of accounting.

See the accompanying independent accountants' audit report.

TOWN OF CUMBERLAND GAP, TENNESSEE

**UTILITY RATES AND METERED CUSTOMERS**

June 30, 2015

**WATER**

First 3,000 gallons (minimum billing)	\$ 42.65
Next 4,000 gallons (per 1,000 gallons)	6.00
Over 7,000 gallons (per 1,000 gallons)	7.00

**SEWER**

In-town residential users:	
First 3,000 gallons (minimum billing)	33.00
Over 3,000 gallons (per 1,000 gallons)	4.00
In-town small commercial:	
First 3,000 gallons (minimum billing)	33.00
Over 3,000 gallons (per 1,000 gallons)	4.00
In-town large commercial:	
First 3,000 gallons (minimum billing)	73.00
Over 3,000 gallons (per 1,000 gallons)	2.75
Out-of-town residential users:	
First 3,000 gallons (minimum billing)	43.75
Over 3,000 gallons (per 1,000 gallons)	4.50
Out-of-town small commercial:	
First 3,000 gallons (minimum billing)	43.75
Over 3,000 gallons (per 1,000 gallons)	5.00
Out-of-town non-residential or not small commercial:	
First 2,000 gallons (minimum billing)	173.00
Over 2,000 gallons (per 1,000 gallons)	5.00

Number of metered customers

Water	134
Sewer	363

See the accompanying independent accountants' audit report.

**AWWA Free Water Audit Software: Reporting Worksheet**

WAS v5.0  
American Water Works Association  
Copyright © 2014. All Rights Reserved

Water Audit Report for: **Cumberland Gap (TN0060747)**  
Reporting Year: **2015** / 7/2014 - 6/2015

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

**All volumes to be entered as: MILLION GALLONS (US) PER YEAR**

---

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

----- Enter grading in column 'E' and 'J' -----

**WATER SUPPLIED**

Volume from own sources: <input type="button" value="+"/> <input type="button" value="?"/> n/a <input type="text" value="0.000"/> MG/Yr Water imported: <input type="button" value="+"/> <input type="button" value="?"/> 9 <input type="text" value="9.169"/> MG/Yr Water exported: <input type="button" value="+"/> <input type="button" value="?"/> n/a <input type="text" value="0.000"/> MG/Yr	<b>Master Meter and Supply Error Adjustments</b> Pcnt: <input type="button" value="+"/> <input type="button" value="?"/> <input type="text" value="1.00%"/> Value: <input type="text" value=""/> MG/Yr <input type="button" value="+"/> <input type="button" value="?"/> 2 <input type="text" value="1.00%"/> <input checked="" type="radio"/> <input type="radio"/> MG/Yr <input type="button" value="+"/> <input type="button" value="?"/> <input type="text" value=""/> <input checked="" type="radio"/> <input type="radio"/> MG/Yr
---	--

Enter negative % or value for under-registration  
Enter positive % or value for over-registration

**WATER SUPPLIED: 9.078** MG/Yr

---

**AUTHORIZED CONSUMPTION**

Billed metered: <input type="button" value="+"/> <input type="button" value="?"/> 5 <input type="text" value="5.451"/> MG/Yr Billed unmetered: <input type="button" value="+"/> <input type="button" value="?"/> n/a <input type="text" value="0.000"/> MG/Yr Unbilled metered: <input type="button" value="+"/> <input type="button" value="?"/> n/a <input type="text" value="0.000"/> MG/Yr Unbilled unmetered: <input type="button" value="+"/> <input type="button" value="?"/> <input type="text" value="0.113"/> MG/Yr	Click here: <input type="button" value="?"/> for help using option buttons below Pcnt: <input type="text" value="1.25%"/> Value: <input type="text" value=""/> MG/Yr Use buttons to select percentage of water supplied OR value
--	--

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

**AUTHORIZED CONSUMPTION: 5.564** MG/Yr

---

**WATER LOSSES (Water Supplied - Authorized Consumption) 3.514** MG/Yr

**Apparent Losses**

Unauthorized consumption: <input type="button" value="+"/> <input type="button" value="?"/> <input type="text" value="0.023"/> MG/Yr Customer metering inaccuracies: <input type="button" value="+"/> <input type="button" value="?"/> 5 <input type="text" value="0.539"/> MG/Yr Systematic data handling errors: <input type="button" value="+"/> <input type="button" value="?"/> <input type="text" value="0.014"/> MG/Yr	Pcnt: <input type="text" value="0.25%"/> Value: <input type="text" value=""/> MG/Yr <input type="text" value="9.00%"/> <input checked="" type="radio"/> <input type="radio"/> MG/Yr <input type="text" value="0.25%"/> <input checked="" type="radio"/> <input type="radio"/> MG/Yr
---	---

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed  
Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

**Apparent Losses: 0.575** MG/Yr

---

**Real Losses (Current Annual Real Losses or CARL)**

Real Losses = Water Losses - Apparent Losses:   MG/Yr

**WATER LOSSES: 3.514** MG/Yr

---

**NON-REVENUE WATER**

NON-REVENUE WATER:   MG/Yr  
= Water Losses + Unbilled Metered + Unbilled Unmetered

---

**SYSTEM DATA**

Length of mains: <input type="button" value="+"/> <input type="button" value="?"/> 5 <input type="text" value="3.5"/> miles Number of active AND inactive service connections: <input type="button" value="+"/> <input type="button" value="?"/> 8 <input type="text" value="157"/> Service connection density: <input type="button" value="+"/> <input type="button" value="?"/> <input type="text" value="45"/> conn./mile main	
---	--

Are customer meters typically located at the curbside or property line?  (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line:    Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure:   7  psi

---

**COST DATA**

Total annual cost of operating water system: <input type="button" value="+"/> <input type="button" value="?"/> 10 <input type="text" value="\$78,180"/> \$/Year Customer retail unit cost (applied to Apparent Losses): <input type="button" value="+"/> <input type="button" value="?"/> 10 <input type="text" value="\$10.00"/> \$/1000 gallons (US) Variable production cost (applied to Real Losses): <input type="button" value="+"/> <input type="button" value="?"/> 10 <input type="text" value="\$4,008.86"/> \$/Million gallons	<input type="checkbox"/> Use Customer Retail Unit Cost to value real losses
---	---

---

**WATER AUDIT DATA VALIDITY SCORE:**

**\*\*\* YOUR SCORE IS: 78 out of 100 \*\*\***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

**PRIORITY AREAS FOR ATTENTION:**

Based on the information provided, audit accuracy can be improved by addressing the following components:

- 1: Billed metered
- 2: Customer metering inaccuracies
- 3: Water imported

See the accompanying independent accountants' audit report.



System Attributes and Performance Indicators

Water Audit Report for: **Cumberland Gap (TN0060747)**  
Reporting Year: **2015** | **7/2014 - 6/2015**

**\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 78 out of 100 \*\*\***

**System Attributes:**

Apparent Losses:	<input type="text" value="0.575"/>	MG/Yr
+ Real Losses:	<input type="text" value="2.938"/>	MG/Yr
= <b>Water Losses:</b>	<input type="text" value="3.514"/>	MG/Yr

? Unavoidable Annual Real Losses (UARL):  MG/Yr

Annual cost of Apparent Losses:

Annual cost of Real Losses:  Valued at **Variable Production Cost**  
Return to Reporting Worksheet to change this assumption

**Performance Indicators:**

Financial: { Non-revenue water as percent by volume of Water Supplied:   
 Non-revenue water as percent by cost of operating system:  Real Losses valued at Variable Production Cost

Operational Efficiency: { Apparent Losses per service connection per day:  gallons/connection/day  
 Real Losses per service connection per day:  gallons/connection/day  
 Real Losses per length of main per day\*:   
 Real Losses per service connection per day per psi pressure:  gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL):  million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]:

\* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

See the accompanying independent accountants' audit report.

TOWN OF CUMBERLAND GAP, TENNESSEE

**PRINCIPAL OFFICIALS**

June 30, 2015

Bill McGaffee, Mayor  
Chuck Coffey, Alderman  
Susan Bain, Alderwoman  
Teresa Fuson, Alderwoman  
Jerry Hopson, Alderman  
John Ravnum, Alderman  
Philip Waller, Alderman  
Linda Moyers, CMFO, City Recorder

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE



INDEPENDENT ACCOUNTANTS' 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*

Board of Mayor and Aldermen  
Town of Cumberland Gap, Tennessee  
Cumberland Gap, 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 of America, the financial statements of the governmental activities and each major fund of Town of Cumberland Gap, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Town of Cumberland Gap, Tennessee's basic financial statements, and have issued our report thereon dated February 26, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Town of Cumberland Gap, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Cumberland Gap, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Cumberland Gap, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Town of Cumberland Gap, Tennessee'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 may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of finding, recommendation and management response as item 2015-001 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Town of Cumberland Gap, Tennessee's financial statements are free of 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*.

## **Town of Cumberland Gap, Tennessee's Response to Finding**

Town of Cumberland Gap, Tennessee's response to the finding identified in our audit is described in the accompanying schedule of finding, recommendation and management response. Town of Cumberland Gap, Tennessee's response 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 Town of Cumberland Gap, Tennessee's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Cumberland Gap, Tennessee's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mitchell Emert & Hill". The signature is written in a cursive, flowing style.

February 26, 2016

TOWN OF CUMBERLAND GAP, TENNESSEE

**FINDING, RECOMMENDATION AND MANAGEMENT RESPONSE**

Year Ended June 30, 2015

Finding Number 2015-001 – Segregation of duties (uncorrected from prior year)

*Finding:* Due to the limited number of personnel available, a lack of segregation of duties exists in the areas of issuing cash receipts, preparing bank deposits, posting accounting transactions, and preparing bank reconciliations.

*Recommendation:* Accounting duties should be divided among existing personnel and board members to ensure proper segregation of duties. The Board of Mayor and Aldermen should consider the cost and benefit of adding additional staff members to ensure that proper segregation of duties exists.

*Management Response:* We concur and will divide the duties among the existing personnel as best we can.

TOWN OF CUMBERLAND GAP, TENNESSEE

**PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

Year Ended June 30, 2015

Financial Statement Findings

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2013-001	Segregation of Duties	Repeated