

*Financial Statements*

TOWN OF CUMBERLAND GAP, TENNESSEE

Year Ended June 30, 2023

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

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

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Town of Cumberland Gap, Tennessee as of and for the year ended June 30, 2023, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of Town of Cumberland Gap, Tennessee as of June 30, 2023, the respective changes in its financial position and, where applicable, cash flows thereof and the respective budgetary comparisons 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.

***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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Town of Cumberland Gap, 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 misstatements, 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 Town of Cumberland Gap, 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.

### ***Auditors' 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 auditors' report that includes our opinion. 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 Town of Cumberland Gap, 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 Town of Cumberland Gap, 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/Management's Discussion and Analysis***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 to 11 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other information we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

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

The schedules of investments, property taxes receivable, long-term debt requirements, changes in long-term debt by individual issue 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the financial statements. The other information comprises the schedules of utility rates and metered customers and principal officials but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we not express an opinion or any form of assurance thereon.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2023 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 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 Town of Cumberland Gap, 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 Town of Cumberland Gap, Tennessee's internal control over financial reporting and compliance.

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

November 7, 2023

# Town of Cumberland Gap

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## **Management's Discussion and Analysis For the Year Ended June 30, 2023**

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, 2023. This information should be read in conjunction with the accompanying financial statements.

This MD&A also presents an overview of the Town, including the water and sewer fund, known as the primary government. The government-wide financial statements include only 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, 2023 by \$3,483,218 (\$3,322,911 in 2022).
- The Town's net position increased by \$160,307 (\$72,696 in 2022) or 4.6 percent during the year ended June 30, 2023 (2.2 percent during 2022).
- At June 30, 2023 the Town's governmental funds reported combined ending fund balances of \$561,503, an increase of \$170,058 for the year ended June 30, 2023. At June 30, 2022 the Town's governmental funds reported combined ending fund balances of \$391,445, an increase of \$38,837 for the year ended June 30, 2022. As of June 30, 2023, \$561,202 (\$390,549 in 2022) of governmental fund balances is unassigned and available for ongoing operations.
- At June 30, 2023 the unassigned general fund balance was \$561,202 (\$390,549 in 2022) or 225 percent (117 percent in 2022) 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.

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
- Solid waste management

The business-type activities of the Town include water and sewer services provided by the water and sewer fund.

The government-wide financial statements can be found on pages 12 to 17 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. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

*Governmental Funds* - Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of 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 funds balance sheet and the governmental funds 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 funds balance sheet and in the governmental funds 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 23 to 28.

*Proprietary Funds* - Proprietary funds are used to account for activities where the emphasis is placed on net income determination. The Town maintains one type of proprietary fund - enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town has one enterprise fund to account for water distribution and sewer collection.

The Town's enterprise fund, the water and sewer fund, is a major fund and is reported separately in the government-wide and fund financial statements. The proprietary fund financial statements are presented on pages 29 to 33 in the basic financial statements.

Notes to the Financial Statements - The notes to the financial statements 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 and a schedule of finding, recommendation and management response.

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2023 the Town's net position was \$3,483,218 (\$3,322,911 in 2022).

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 the Town's statement of net position consisted of the following:

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Current assets	\$ 1,185,742	\$ 885,494
Capital assets, net of accumulated depreciation	<u>2,671,734</u>	<u>2,825,280</u>
	<u>\$ 3,857,476</u>	<u>\$ 3,710,774</u>
<b>LIABILITIES</b>		
Current liabilities	\$ 50,521	\$ 29,214
Noncurrent liabilities	<u>253,800</u>	<u>265,500</u>
	304,321	294,714
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred property tax revenue	48,126	47,687
Deferred grant revenue	<u>21,810</u>	<u>45,462</u>
	69,936	93,149
<b>NET POSITION</b>		
Net investment in capital assets	2,406,234	2,548,380
Restricted	0	595
Unrestricted	<u>1,076,985</u>	<u>773,936</u>
	<u>3,483,218</u>	<u>3,322,911</u>
	<u>\$ 3,857,476</u>	<u>\$ 3,710,774</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:

	<u>2023</u>	<u>2022</u>
<b>REVENUE</b>		
Program Revenue:		
Fees, fines and charges for services	\$ 375,590	\$ 335,856
Operating grants and contributions	171,516	126,008
General Revenue:		
Local taxes	132,572	122,111
Intergovernmental	63,472	83,741
Investment earnings	<u>38,759</u>	<u>5,188</u>
	781,909	672,904

	<u>2023</u>	<u>2022</u>
<b>EXPENSES</b>		
General government	80,304	103,657
Public safety	58,596	44,375
Highways and streets	91,532	92,564
Sanitation	26,526	30,182
Public welfare	31,351	29,685
Water and sewer	<u>333,294</u>	<u>299,745</u>
	<u>621,602</u>	<u>600,208</u>
<b>Increase in net position</b>	160,307	72,696
<b>Net position at the beginning of the year</b>	<u>3,322,911</u>	<u>3,250,215</u>
<b>Net position at the end of the year</b>	<u>\$ 3,483,218</u>	<u>\$ 3,322,911</u>

Governmental Activities - For the year ended June 30, 2023, governmental activities increased the Town's net position by \$134,241 (\$69,726 in 2022).

The Town's main sources of revenue are from property tax, local option sales tax, and local and state-shared taxes which consist of tax revenue shared by the State of Tennessee. Local and state shared taxes increased during the year ended June 30, 2023 due to improvements in the economy. Charges for service increased due to increased sewer rates. Operating grants increased due to receipt and expenditure of American Rescue Plan funds. General governmental expenditures decreased due to fewer repairs and maintenance needed on governmental assets during the year.

Business-Type Activities - For the year ended June 30, 2023, business-type activities increased the Town's net position by \$26,066 (increased by \$2,970 in 2022). Water and sewer expense increased due to increase professional fees and repair and maintenance expense.

### Capital Assets

The Town's investment in capital assets as of June 30, 2023 was \$2,671,734 (\$2,825,280 in 2022) net of accumulated depreciation.

	<u>2023</u>	<u>2022</u>
Land	\$ 79,998	\$ 79,998
Machinery and equipment	455,063	449,702
Buildings	970,061	970,061
Plant	3,583,860	3,583,860
Vehicles	240,633	240,633
Accumulated depreciation	<u>(2,657,882)</u>	<u>(2,498,974)</u>
	<u>\$ 2,671,734</u>	<u>\$ 2,825,280</u>

The major capital asset additions during the year ended June 30, 2023 were as follows:

Machinery and equipment	<u>\$ 5,361</u>
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**Debt Administration**

At June 30, 2023 the Town’s governmental funds had no outstanding debt.

At June 30, 2023 the Town’s proprietary funds had outstanding debt of \$265,500 (\$276,900 in 2022) consisting of the following:

	<u>2023</u>	<u>2022</u>
Rural Development loan	\$ 265,500	\$ 276,900
Less: current portion due	<u>(11,700)</u>	<u>(11,400)</u>
Total long-term debt-principal	<u>\$ 253,800</u>	<u>\$ 265,500</u>

During the year ended June 30, 2022, the Town refinanced \$288,000 and retired \$5,679 of its proprietary fund debt. During the year ended June 30, 2023, the Town retired \$11,400 of its proprietary fund debt.

**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.

Governmental Funds - 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 \$170,653 during the year ended June 30, 2023 (\$39,281 in 2022).

Proprietary Funds - The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net position for the water and sewer fund for the year ended June 30, 2023 was \$500,573 (\$370,350 in 2022), which is 21 percent (16 percent in 2022) of total net position of the water and sewer fund.

### **Budgetary Highlights**

During the year ended June 30, 2023, general fund original budgeted revenue was increased due to higher than anticipated property, local and state shared taxes. General Fund appropriations for expenditures were increased to allow for additional supplies and repairs and maintenance expenses.

There were no changes between original budgeted revenue or expenditures and the final amended budgeted revenue or expenditures for the drug enforcement fund.

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

The Board of Mayor and Aldermen approved the budget for the year ending June 30, 2024. The estimated revenue and appropriations did not vary significantly from the budget for the year ended June 30, 2023.

### **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, 2023

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash	\$ 514,852	\$ 469,792	\$ 984,644
Certificates of deposit	86,742	0	86,742
Accounts receivable, net of allowance for uncollectible accounts	1,184	36,308	37,492
Property taxes receivable, net of allowance for uncollectible accounts	50,635	0	50,635
Other taxes receivable	13,710	0	13,710
Due from other governments	12,217	0	12,217
Inventory	301	0	301
Capital assets not being depreciated	79,998	0	79,998
Capital assets being depreciated, net of accumulated depreciation	<u>481,893</u>	<u>2,109,843</u>	<u>2,591,736</u>
	<u>\$ 1,241,533</u>	<u>\$ 2,615,943</u>	<u>\$ 3,857,476</u>

See the accompanying notes to the financial statements.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 32,417	\$ 4,672	\$ 37,090
Accrued salaries	877	0	877
Sales tax payable	0	854	854
Current portion of long-term debt	0	11,700	11,700
Long-term debt, net of current portion	<u>0</u>	<u>253,800</u>	<u>253,800</u>
	33,294	271,027	304,321
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property tax revenue	48,126	0	48,126
Deferred grant revenue	<u>21,810</u>	<u>0</u>	<u>21,810</u>
	69,936	0	69,936
<b>NET POSITION</b>			
Net investment in capital assets	561,891	1,844,343	2,406,234
Unrestricted	<u>576,412</u>	<u>500,573</u>	<u>1,076,985</u>
	<u>1,138,302</u>	<u>2,344,916</u>	<u>3,483,218</u>
	<u>\$ 1,241,533</u>	<u>\$ 2,615,943</u>	<u>\$ 3,857,476</u>



TOWN OF CUMBERLAND GAP, TENNESSEE

**STATEMENT OF ACTIVITIES**

Year Ended June 30, 2023

		<u>Program Revenue</u>	
	<u>Expenses</u>	<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>Governmental Activities:</b>			
General government	\$ 80,304	\$ 13,455	\$ 118,157
Public safety	58,596	24	42,486
Public welfare	31,351	0	0
Streets and highways	91,532	0	10,873
Solid waste management	<u>26,526</u>	<u>20,341</u>	<u>0</u>
Total governmental activities	288,308	33,820	171,516
<b>Business-Type Activities:</b>			
Water and sewer	<u>333,294</u>	<u>341,770</u>	<u>0</u>
	<u>\$ 621,602</u>	<u>\$ 375,590</u>	<u>\$ 171,516</u>

See the accompanying notes to the financial statements.

Net (Expense)Revenue and  
Changes In Net Position

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Governmental Activities	Business-Type Activities	Totals
\$ 51,308	\$ 0	\$ 51,308
(16,086)	0	(16,086)
(31,351)	0	(31,351)
(80,659)	0	(80,659)
(6,185)	0	(6,185)
(82,972)	0	(82,971)
0	8,476	8,476
\$ (82,972)	\$ 8,476	\$ (74,496)

TOWN OF CUMBERLAND GAP, TENNESSEE

**STATEMENT OF ACTIVITIES**

(continued)

Year Ended June 30, 2023

**NET (EXPENSE)REVENUE FROM PROGRAM ACTIVITIES**

**General Revenue:**

Taxes:

Property taxes

Interest and penalty

Local sales tax

Wholesale beer tax

Intergovernmental

Investment earnings

Total general revenue

**CHANGES IN NET POSITION**

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

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

Net (Expense)Revenue and  
Changes In Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (82,972)	\$ 8,476	\$ (74,496)
47,212	0	47,212
144	0	144
74,987	0	74,987
10,228	0	10,228
63,472	0	63,472
21,169	17,591	38,759
<u>217,212</u>	<u>17,591</u>	<u>234,803</u>
134,241	26,066	160,307
<u>1,004,061</u>	<u>2,318,850</u>	<u>3,322,911</u>
<u>\$ 1,138,302</u>	<u>\$ 2,344,916</u>	<u>\$ 3,483,218</u>

TOWN OF CUMBERLAND GAP, TENNESSEE

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

June 30, 2023

	<u>General Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash	\$ 514,852	\$ 0	\$ 514,852
Certificates of deposit	86,742	0	86,742
Property taxes receivable	50,635	0	50,635
Customer accounts receivable	1,184	0	1,184
Other taxes receivable	13,710	0	13,710
Due from other governments	12,217	0	12,217
Inventory	<u>301</u>	<u>0</u>	<u>301</u>
	<u>\$ 679,642</u>	<u>\$ 0</u>	<u>\$ 679,642</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 32,417	\$ 0	\$ 32,417
Accrued salaries	<u>877</u>	<u>0</u>	<u>877</u>
	33,294	0	33,294
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property taxes	50,635	0	50,635
Deferred grant revenue	21,810	0	21,810
Deferred state shared and local taxes	<u>12,400</u>	<u>0</u>	<u>12,400</u>
	84,845	0	84,845
<b>FUND BALANCES</b>			
Nonspendable	301	0	301
Unassigned	<u>561,202</u>	<u>0</u>	<u>561,202</u>
	<u>561,503</u>	<u>0</u>	<u>561,503</u>
	<u>\$ 679,642</u>	<u>\$ 0</u>	<u>\$ 679,642</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, 2023

<b>Total Fund Balance - Governmental Funds</b>	\$ 561,503
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.	561,891
Some of the Town's taxes will be collected after year-end, but are not available soon enough to pay for the current year's expenditures; therefore, they are reported as deferred revenue in the governmental funds balance sheet.	<u>14,909</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 1,138,302</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, 2023

	<u>General Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
<b>REVENUE</b>			
Taxes:			
Property taxes	\$ 46,159	\$ 0	\$ 46,159
Interest and penalty	144	0	144
Local sales tax	74,206	0	74,206
Wholesale beer tax	10,228	0	10,228
Intergovernmental	192,244	0	192,244
Charges for services	20,951	0	20,951
Fines and forfeitures	24	0	24
Licenses and permits	10,610	0	10,610
Contributions	42,486	0	42,486
Interest	21,169	0	21,169
Miscellaneous	<u>2,156</u>	<u>0</u>	<u>2,156</u>
<b>TOTAL REVENUE</b>	420,376	0	420,376
<b>EXPENDITURES</b>			
Current:			
General government	78,233	0	78,233
Public safety	46,933	595	47,527
Streets and highways	90,482	0	90,482
Solid waste management	26,526	0	26,526
Public welfare	<u>7,549</u>	<u>0</u>	<u>7,549</u>
<b>TOTAL EXPENDITURES</b>	<u>249,723</u>	<u>595</u>	<u>250,318</u>

See the accompanying notes to the financial statements.

TOWN OF CUMBERLAND GAP, TENNESSEE

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

(continued)

Year Ended June 30, 2023

	<u>General Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
<b>NET CHANGES IN FUND BALANCES</b>	170,653	(595)	170,058
<b>FUND BALANCES AT THE BEGINNING OF THE YEAR</b>	<u>390,850</u>	<u>595</u>	<u>391,445</u>
<b>FUND BALANCES AT THE END OF THE YEAR</b>	<u>\$ 561,503</u>	<u>\$ 0</u>	<u>\$ 561,503</u>



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, 2023

<b>Net Changes in Fund Balances - Governmental Funds</b>	<b>\$ 170,058</b>
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:	
Depreciation expense	(37,990)
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:	
Deferred tax revenue - June 30, 2022	(12,736)
Deferred tax revenue - June 30, 2023	<u>14,909</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 134,241</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, 2023

	Budget		Actual	Variance Over (Under)
	Original	Final		
<b>REVENUE</b>				
Taxes:				
Property taxes	\$ 46,850	\$ 47,490	\$ 46,159	\$ (1,331)
Interest and penalty	250	250	144	(106)
Local sales tax	60,000	72,450	74,206	1,756
Wholesale beer tax	10,000	10,000	10,228	228
	117,100	130,190	130,737	547
Intergovernmental:				
State beer tax	143	143	143	0
State sales tax	34,743	37,268	37,181	(87)
State gasoline and motor fuel tax	11,268	11,268	10,908	(360)
Sports betting tax	400	400	510	110
Mixed drink tax	13,000	20,750	21,008	258
City streets and transportation	573	573	573	0
American Rescue Plan grant	72,695	72,695	118,157	45,462
TVA In-Lieu of tax payments	3,287	3,787	3,763	(24)
	136,109	146,884	192,244	45,360
Charges for services:				
Garbage collection charges	21,334	21,334	20,341	(993)
Miscellaneous charges	0	0	610	610
	21,334	21,334	20,951	(383)
Licenses and permits:				
Building permits	1,000	1,300	1,025	(275)
Business license	2,500	4,000	4,035	35

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**

(continued)

Year Ended June 30, 2023

	Budget		Actual	Variance Over (Under)
	Original	Final		
Beer and liquor licenses	<u>4,800</u>	<u>5,300</u>	<u>5,550</u>	<u>250</u>
	8,300	10,600	10,610	10
Fines and forfeitures:				
Court fines	1,800	1,800	24	(1,776)
Other revenue:				
Contributions	15,000	42,222	42,486	264
Interest	2,900	18,500	21,169	2,669
Miscellaneous	<u>2,500</u>	<u>2,500</u>	<u>2,156</u>	<u>(344)</u>
	<u>20,400</u>	<u>63,222</u>	<u>65,810</u>	<u>2,588</u>
<b>TOTAL REVENUE</b>	<b>305,043</b>	<b>374,030</b>	<b>420,376</b>	<b>46,346</b>
<b>EXPENDITURES</b>				
Financial administration:				
Salaries and wages	11,284	11,284	11,521	237
Payroll taxes	863	863	882	19
Unemployment insurance	128	128	78	(50)
Subscriptions and dues	235	235	245	10
Office supplies	2,450	3,600	3,898	298
Postage	400	400	370	(30)
Utilities	4,976	4,976	4,446	(530)
Insurance	2,400	2,400	2,400	0
Training	250	250	0	(250)
Travel	<u>200</u>	<u>200</u>	<u>0</u>	<u>(200)</u>
	<u>23,186</u>	<u>24,336</u>	<u>23,839</u>	<u>(497)</u>
Police:				
Contract services	10,500	12,000	11,092	(908)

TOWN OF CUMBERLAND GAP, TENNESSEE

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

**GENERAL FUND**

(continued)

Year Ended June 30, 2023

	Budget		Actual	Variance
	Original	Final		Over (Under)
Fire:				
Operating supplies	250	250	897	647
Office supplies	410	410	412	2
Insurance	6,000	6,000	5,234	(766)
Utilities	1,638	1,638	1,708	70
Telephone	1,200	1,200	1,187	(13)
Gasoline	1,000	1,000	1,540	540
Training and travel	650	650	55	(595)
Equipment	6,350	49,882	11,933	(37,949)
Awards for service	0	500	0	(500)
Repairs and maintenance	4,500	4,500	1,902	(2,598)
Vehicle repairs and maintenance	3,000	3,000	10,975	7,975
	<u>24,998</u>	<u>69,030</u>	<u>35,840</u>	<u>(33,190)</u>
General government:				
Salaries and wages	2,200	3,025	1,531	(1,494)
Payroll taxes	169	169	84	(85)
Unemployment insurance	30	30	48	18
Insurance	11,939	13,509	13,400	(109)
Legal services	3,900	3,900	3,760	(140)
Accounting and auditing	5,700	5,700	5,700	0
Dues and subscriptions	2,145	2,145	2,366	221
Office supplies and postage	500	2,400	2,159	(241)
Operating supplies	500	1,500	1,879	379
Training	155	155	0	(155)
Travel	155	155	0	(155)
Repair and maintenance	1,000	2,000	1,783	(217)
Small equipment	72,695	72,695	11,210	(61,485)

TOWN OF CUMBERLAND GAP, TENNESSEE

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

**GENERAL FUND**

(continued)

Year Ended June 30, 2023

	Budget		Actual	Variance Over (Under)
	Original	Final		
Miscellaneous	6,500	10,374	10,475	101
	<u>107,588</u>	<u>117,757</u>	<u>54,393</u>	<u>(63,364)</u>
Highways and streets:				
Salaries and wages	28,760	29,845	29,230	(615)
Payroll taxes	2,200	2,200	2,253	53
Unemployment insurance	250	250	241	(9)
Insurance	2,400	2,400	2,400	0
Utilities	1,713	1,713	1,696	(17)
Uniforms	520	520	520	0
Gasoline	2,500	2,500	2,321	(179)
Repairs and maintenance	38,000	40,000	35,478	(4,522)
Vehicle repairs and maintenance	5,000	5,000	2,857	(2,143)
	<u>81,343</u>	<u>84,428</u>	<u>76,996</u>	<u>(7,432)</u>
State street aid:				
Street lighting	12,000	12,000	13,486	1,486
Solid waste services:				
Salaries and wages	14,170	14,170	15,253	1,083
Payroll taxes	1,084	1,084	1,167	83
Unemployment insurance	215	215	134	(81)
Landfill fees	4,000	4,470	4,528	58
Office supplies	3,185	3,685	3,437	(248)
Gasoline	1,500	1,500	1,401	(99)
Vehicle repairs and maintenance	1,500	1,500	607	(893)
	<u>25,654</u>	<u>26,624</u>	<u>26,526</u>	<u>(98)</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, 2023

	Budget		Actual	Variance Over (Under)
	Original	Final		
Parks and recreation:				
Utilities	2,827	5,217	4,028	(1,189)
Repairs and maintenance	3,350	3,350	1,176	(2,174)
Operating supplies	1,100	1,100	2,345	1,245
	<u>7,277</u>	<u>9,667</u>	<u>7,549</u>	<u>(2,118)</u>
Debt service:				
Interest	6,625	6,625	0	(6,625)
	<u>6,625</u>	<u>6,625</u>	<u>0</u>	<u>(6,625)</u>
<b>TOTAL EXPENDITURES</b>	<u>299,171</u>	<u>362,467</u>	<u>249,723</u>	<u>(112,744)</u>
<b>NET CHANGE IN FUND BALANCE</b>	5,872	11,563	170,653	159,090
<b>FUND BALANCE AT THE BEGINNING OF THE YEAR</b>	<u>0</u>	<u>0</u>	<u>390,850</u>	<u>390,850</u>
<b>FUND BALANCE AT THE END OF THE YEAR</b>	<u>\$ 5,872</u>	<u>\$ 11,563</u>	<u>\$ 561,503</u>	<u>\$ 549,940</u>

TOWN OF CUMBERLAND GAP, TENNESSEE

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

Year Ended June 30, 2023

	Budget			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Over (Under)
<b>REVENUE</b>				
Interest	\$ 0	\$ 0	\$ 0	\$ 0
<b>EXPENDITURES</b>				
Investigation	<u>0</u>	<u>0</u>	<u>595</u>	<u>595</u>
<b>NET CHANGE IN FUND BALANCE</b>	0	0	(595)	(595)
<b>FUND BALANCE AT THE BEGINNING OF THE YEAR</b>	<u>0</u>	<u>0</u>	<u>595</u>	<u>595</u>
<b>FUND BALANCE AT THE END OF THE YEAR</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See the accompanying notes to the financial statements.

TOWN OF CUMBERLAND GAP, TENNESSEE

**STATEMENT OF NET POSITION**  
**WATER AND SEWER FUND**

June 30, 2023

**CURRENT ASSETS**

Cash and cash equivalents		\$ 469,792
Accounts receivable, net of allowance for uncollectible accounts of \$10,000		<u>36,308</u>
		506,100

**CAPITAL ASSETS**

Equipment	\$ 349,768	
Vehicles	10,536	
Utility plant	<u>3,583,860</u>	
	3,944,164	
Accumulated depreciation	<u>(1,834,321)</u>	<u>2,109,843</u>
		<u>\$ 2,615,943</u>

**CURRENT LIABILITIES**

Accounts payable		\$ 4,672
Sales tax payable		854
Current portion of long-term debt		<u>11,700</u>
		17,227

**LONG-TERM DEBT,**

net of current portion		253,800
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**NET POSITION**

Net investment in capital assets	\$ 1,844,343	
Unrestricted	<u>500,573</u>	<u>2,344,916</u>
		<u>\$ 2,615,943</u>

See the accompanying notes to the financial statements.



TOWN OF CUMBERLAND GAP, TENNESSEE

**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION**  
**WATER AND SEWER FUND**

Year Ended June 30, 2023

**OPERATING REVENUE**

Water utility charges	\$	107,224	
Sewer collection charges		226,025	
Tap fees		250	
Utility penalties		1,745	
Service fees and legal fees		6,526	
		<hr/>	

**TOTAL OPERATING REVENUE** 341,770

**OPERATING EXPENSES**

Water lines:			
Salaries and wages	\$	16,865	
Payroll taxes		1,300	
Unemployment insurance		96	
Water purchased for resale		26,933	
Dues and subscriptions		2,260	
Insurance		2,539	
Professional services		3,000	
Accounting and auditing		2,850	
Water testing		1,050	
Office supplies and postage		3,260	
Operating supplies		599	
Fuel		1,554	
Repairs and maintenance		964	
		<hr/>	63,270

Sewer system:

Salaries and wages	13,295
Payroll taxes	1,025
Unemployment insurance	73
Utilities	26,863
Fines and fees	1,040
Dues and subscriptions	1,982
Insurance	15,492
Professional services	41,050
Accounting and auditing	2,850

See the accompanying notes to the financial statements.

TOWN OF CUMBERLAND GAP, TENNESSEE

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION**  
**WATER AND SEWER FUND**

(continued)

Year Ended June 30, 2023

Office supplies and postage	3,266	
Operating supplies	3,762	
Fuel	941	
Repairs and maintenance	<u>30,158</u>	141,797
Depreciation		<u>120,918</u>
<b>TOTAL OPERATING EXPENSES</b>		<u>325,984</u>
<b>INCOME FROM OPERATIONS</b>		15,786
<b>NONOPERATING REVENUE(EXPENSE)</b>		
Interest income	17,591	
Interest expense	<u>(7,310)</u>	<u>10,280</u>
<b>CHANGE IN NET POSITION</b>		26,066
<b>NET POSITION AT THE BEGINNING OF THE YEAR</b>		<u>2,318,850</u>
<b>NET POSITION AT THE END OF THE YEAR</b>		<u>\$ 2,344,916</u>

TOWN OF CUMBERLAND GAP, TENNESSEE

**STATEMENT OF CASH FLOWS**  
**WATER AND SEWER FUND**

Year Ended June 30, 2023

**CASH PROVIDED(USED) BY  
OPERATING ACTIVITIES**

Cash received from customers	\$ 332,365
Cash paid to suppliers	(175,093)
Cash paid to employees	<u>(30,160)</u>

**NET CASH PROVIDED BY  
OPERATING ACTIVITIES**

127,112

**CASH PROVIDED(USED) BY CAPITAL AND  
RELATED FINANCING ACTIVITIES**

Acquisition of capital assets	\$ (5,361)
Principal payments on long-term debt	(11,400)
Interest paid on debt	<u>(7,310)</u>

**NET CASH (USED) BY CAPITAL AND  
RELATED FINANCING ACTIVITIES**

(24,071)

**CASH PROVIDED(USED) BY  
INVESTING ACTIVITIES**

Interest received	<u>17,591</u>
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**NET INCREASE IN CASH**

120,632

**CASH AND CASH EQUIVALENTS  
AT THE BEGINNING OF THE YEAR**

349,160

**CASH AND CASH EQUIVALENTS  
AT THE END OF THE YEAR**

\$ 469,792

See the accompanying notes to the financial statements.

TOWN OF CUMBERLAND GAP, TENNESSEE

**STATEMENT OF CASH FLOWS**  
**WATER AND SEWER FUND**

(continued)

Year Ended June 30, 2023

**RECONCILIATION OF INCOME  
FROM OPERATIONS TO NET CASH  
PROVIDED(USED) BY OPERATING ACTIVITIES**

Income from operations		\$	15,786
Adjustments to reconcile income from operations to net cash provided by operating activities:			
Depreciation	\$	120,918	
(Increase) in accounts receivable		(9,405)	
(Decrease)increase in:			
Accounts payable		(343)	
Sales tax payable		156	
		<u>        </u>	<u>111,326</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		\$	<u>127,112</u>

TOWN OF CUMBERLAND GAP, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2023

**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 that have been formed under applicable state laws, or separate and distinct units of government apart from the Town. As of June 30, 2023, 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 of the nonfiduciary activities of the Town. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of 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. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF CUMBERLAND GAP, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2023

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, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligible requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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 of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures 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 estimated 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, 2023

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 reports the following major proprietary fund:

The *water and sewer fund* accounts for the activities of the water and sewer departments, which operate and maintain a water distribution and sewer collection system for residents and businesses on a user charge basis.

All activities necessary to provide these services are accounted for in such a manner as to show profit or loss similar to comparable private enterprises.

The Town had no internal service funds or fiduciary funds as of or for the year ended June 30, 2023.

Proprietary fund financial statements include a statement of net position, a statement of revenue, expenses and changes in net position and a statement of cash flows for each major proprietary fund. Proprietary funds are accounts for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the statement of net position. The statement of revenue, expenses and change in net position presents increases (revenue) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenue is recognized in the period in which it is earned while expenses are recognized in the period in which the liability is incurred.

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

TOWN OF CUMBERLAND GAP, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2023

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the Town's water and sewer function, and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenue reported in the various functions concerned.

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, 2023 has been calculated as follows:

Governmental Activities:

Capital assets	\$ 1,385,451
Accumulated depreciation	<u>(823,561)</u>
	<u>\$ 561,891</u>

Business-Type Activities:

Water and Sewer Fund:	
Capital assets	\$ 3,944,164
Accumulated depreciation	(1,834,321)
Principal balance on long-term debt	<u>(265,500)</u>
	<u>\$ 1,844,343</u>



TOWN OF CUMBERLAND GAP, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2023

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. 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.

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 Balances

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

Restricted Fund Balances

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.

Assigned Fund Balances

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, 2023

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.

Committed Fund Balances

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.

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 or business-type activities columns on the government-wide financial statements. Capital assets are defined by the Town as assets with an initial cost as follows:

Buildings and infrastructure	\$ 10,000
Improvements other than buildings	5,000
Equipment	2,500
Land	500
Construction in process	Tied to asset class

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.

TOWN OF CUMBERLAND GAP, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2023

Compensated Absences

Employees of the Town are granted vacation and sick leave in varying amounts and may accumulate a maximum of 15 vacation days and 30 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.

Inventory

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

Allowance for Uncollectible Accounts

An allowance for uncollectible accounts of \$10,000 is provided based upon historical trends.

TOWN OF CUMBERLAND GAP, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2023

**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, 2023 were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Checking and savings accounts	\$ 514,852	\$ 469,792	\$ 984,644
Certificate of deposit	<u>86,742</u>	<u>0</u>	<u>86,742</u>
Total	<u>\$ 601,594</u>	<u>\$ 469,792</u>	<u>\$ 1,071,386</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 certificates 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, 2023 were entirely insured through the Federal Deposit Insurance Corporation (FDIC) or the State of Tennessee Collateral Pool.

TOWN OF CUMBERLAND GAP, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2023

**NOTE D - CAPITAL ASSETS**

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

	<u>Balance</u> <u>7/1/22</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/23</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	970,061	0	0	970,061
Machinery and equipment	105,295	0	0	105,295
Vehicles	<u>230,097</u>	<u>0</u>	<u>0</u>	<u>230,097</u>
	1,305,453	0	0	1,305,453
<u>Accumulated depreciation</u>				
Buildings and improvements	(487,985)	(27,704)	0	(515,689)
Machinery and equipment	(91,036)	(2,588)	0	(93,624)
Vehicles	<u>(206,550)</u>	<u>(7,698)</u>	<u>0</u>	<u>(214,248)</u>
	<u>(785,571)</u>	<u>(37,990)</u>	<u>0</u>	<u>(823,561)</u>
	<u>\$ 599,880</u>	<u>\$ (37,990)</u>	<u>\$ 0</u>	<u>\$ 561,891</u>

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

General government	\$ 2,070
Public safety	11,068
Highways and streets	1,049
Parks and recreation	<u>23,802</u>
	<u>\$ 37,990</u>

TOWN OF CUMBERLAND GAP, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2023

	<u>Balance</u> <u>7/1/22</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/23</u>
<b>Business-Type Activities:</b>				
<u>Capital assets being depreciated</u>				
Machinery and equipment	\$ 344,407	\$ 5,361	\$ 0	\$ 349,768
Vehicles	10,536	0	0	10,536
Water and sewer plant	<u>3,583,860</u>	<u>0</u>	<u>0</u>	<u>3,583,860</u>
	3,938,803	5,361	0	3,944,164
<u>Accumulated depreciation</u>				
Machinery and equipment	(171,445)	(28,025)	0	(199,470)
Vehicles	(10,536)	0	0	(10,536)
Water and sewer plant	<u>(1,531,422)</u>	<u>(92,893)</u>	<u>0</u>	<u>(1,624,314)</u>
	<u>(1,713,403)</u>	<u>(120,918)</u>	<u>0</u>	<u>(1,834,321)</u>
	<u>\$ 2,225,400</u>	<u>\$ (115,557)</u>	<u>\$ 0</u>	<u>\$ 2,109,843</u>

**NOTE E - 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 Public Entity Partners 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.

**NOTE F - STATE STREET AID FUNDS**

Tennessee Code Annotated Section 54-4-204 restricts funds generated from certain gasoline taxes for use on street repairs and maintenance. At June 30, 2023 the Town held the following funds restricted for this purpose:

TOWN OF CUMBERLAND GAP, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2023

Beginning restricted balance	\$	0
Gasoline tax proceeds		10,908
Street repairs and maintenance expenditures		<u>(10,908)</u>
	\$	<u>0</u>

**NOTE G - LONG-TERM DEBT**

Long-term debt at June 30, 2023 consisted of the following:

Business-Type Activities:

Sewer System Revenue and Tax Refunding Bond, Series 2021 interest rate of 2.64%, principal installments due annually in varying amounts through May 2041		\$ 265,500
Less current maturities		<u>(11,700)</u>
		<u>\$ 253,800</u>

The net revenue of the water and sewer fund and the taxing authority of the Town are pledged for the repayment of the principal and interest maturities.

TOWN OF CUMBERLAND GAP, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2023

Maturities of long-term debt as of June 30, 2023 are as follows:

Business-Type Activities:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ 11,700	\$ 7,009	\$ 18,709
2025	12,000	6,700	18,700
2026	12,300	6,384	18,684
2027	12,700	6,059	18,759
2028	13,000	5,724	18,724
2029	13,400	5,380	18,780
2030	13,700	5,027	18,727
2031	14,100	4,665	18,765
2032	14,400	4,293	18,693
2033	14,800	3,912	18,712
2034	15,200	3,522	18,722
2035	15,600	3,120	18,720
2036	16,000	2,709	18,709
2037	16,400	2,286	18,686
2038	16,900	1,853	18,753
2039	17,300	1,407	18,707
2040	17,800	950	18,750
2041	<u>18,200</u>	<u>480</u>	<u>18,680</u>
	<u>\$ 265,500</u>	<u>\$ 71,480</u>	<u>\$ 336,980</u>



TOWN OF CUMBERLAND GAP, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2023

Changes in long-term debt for the year ended June 30, 2023 were as follows:

	<u>Balance</u> <u>7/1/22</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/23</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Business-Type Activities:</u>					
Sewer System Revenue and Tax Refunding Bond, Series 2021	\$ 276,900	\$ 0	\$ 11,400	\$ 265,500	\$ 11,700

Interest expense for the year ended June 30, 2023 was \$7,310.

**NOTE H - EXPENDITURES EXCEEDED APPROPRIATIONS**

During the year ended June 30, 2023, expenditures exceeded appropriations in the following funds:

Drug fund	\$ 595
-----------	--------

**NOTE I - COMMITMENTS**

During the year ended June 30, 2023 the Town entered into contracts related to project administration and software development totaling \$25,552; \$23,802 had been expended as of June 30, 2023.

SUPPLEMENTARY INFORMATION

TOWN OF CUMBERLAND GAP, TENNESSEE

**INVESTMENTS**

June 30, 2023

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
<u>Certificate of Deposit</u>			
First Century Bank #1297	2.26%	11/15/23	\$ 86,742

See the accompanying independent accountants' audit report.



TOWN OF CUMBERLAND GAP, TENNESSEE

**PROPERTY TAXES RECEIVABLE**

Year Ended June 30, 2023

<u>Year of Levy</u>	<u>Rate</u>	<u>Total Assessment</u>	<u>Levy</u>	<u>Balance June 30, 2022</u>
2023	.7239	\$ 6,647,695	\$ 48,126	\$ 0
2022	.7239	6,586,841	47,687	47,687
2021	.9000	5,198,878	46,791	362
2020	.9000	5,275,654	47,483	42
2019	.9000	5,257,381	47,320	0
2018	.9000	5,339,015	48,056	246
2017	.9000	5,333,137	48,000	581
2016	.9000	5,056,082	45,506	10
2015	.4500	4,972,126	22,374	28
2014	.4500	4,946,682	22,261	12
2013	.4500	4,599,867	21,356	123
2012	.4500	4,599,867	20,699	<u>52</u>
				<u>\$ 49,143</u>

Property taxes unpaid for 2013 through 2021 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, 2023</u>
\$ 48,126	\$ 0	\$ 0	\$ 48,126
0	(423)	(45,797)	1,467
0	0	(362)	0
0	0	0	42
0	0	0	0
0	0	0	246
0	0	0	581
0	0	0	10
0	0	0	28
0	0	0	12
0	0	0	123
<u>0</u>	<u>(52)</u>	<u>0</u>	<u>0</u>
<u>\$ 48,126</u>	<u>\$ (475)</u>	<u>\$ (46,159)</u>	<u>\$ 50,635</u>

TOWN OF CUMBERLAND GAP, TENNESSEE

**LONG-TERM DEBT REQUIREMENTS**

June 30, 2023

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Business-Type Activities:</u>			
Sewer System Revenue and Tax Refunding Bond, Series 2021			
<u>Year Ending June 30:</u>			
2024	\$ 11,700	\$ 7,009	\$ 18,709
2025	12,000	6,700	18,700
2026	12,300	6,384	18,684
2027	12,700	6,059	18,759
2028	13,000	5,724	18,724
2029	13,400	5,380	18,780
2030	13,700	5,027	18,727
2031	14,100	4,665	18,765
2032	14,400	4,293	18,693
2033	14,800	3,912	18,712
2034	15,200	3,522	18,722
2035	15,600	3,120	18,720
2036	16,000	2,709	18,709
2037	16,400	2,286	18,686
2038	16,900	1,853	18,753
2039	17,300	1,407	18,707
2040	17,800	950	18,750
2041	18,200	480	18,680
	<u>\$ 265,500</u>	<u>\$ 71,480</u>	<u>\$ 336,980</u>





TOWN OF CUMBERLAND GAP, TENNESSEE

**CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE**

June 30, 2023

<u>Description of Indebtedness</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>
<b>Business-Type Activities</b>			
<u>Bonds Payable</u>			
Sewer System Revenue and Tax Refunding Bond, Series 2021	\$ 288,000	2.64 %	5/4/2021

See the accompanying independent accountant's audit report.

<u>Last Maturity Date</u>	<u>Outstanding 7/1/2022</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding 6/30/2023</u>
5/1/2041	<u>\$ 276,900</u>	<u>\$ 0</u>	<u>\$ 11,400</u>	<u>\$ 0</u>	<u>\$ 265,500</u>

TOWN OF CUMBERLAND GAP, TENNESSEE

**EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2023

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>Program name</u>	<u>Assistance Listing Number</u>	<u>Expenditures</u>
<u>Federal Awards</u>			
US Department of Treasury/Tennessee Department of Economic and Community Development	Coronavirus State and Local Recovery Fund	21.027	<u>\$ 118,157</u>

**NOTE 1 - BASIS OF PRESENTATION**

This schedule summarizes the expenditures of Town of Cumberland Gap, Tennessee under programs of the state government for the year ended June 30, 2023. The schedule is presented using the full accrual basis of accounting. Because this schedule presents only a selected portion of the operations of Town of Cumberland Gap, Tennessee, it is not intended and does not present the net position or changes in the net position of Town of Cumberland Gap, Tennessee.

See the accompanying independent accountants' audit report.

OTHER INFORMATION

TOWN OF CUMBERLAND GAP, TENNESSEE

**UTILITY RATES AND METERED CUSTOMERS**

June 30, 2023

**WATER**

First 3,000 gallons (minimum billing)	\$ 50.65
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)	45.00
Over 3,000 gallons (per 1,000 gallons)	4.00
In-town small commercial:	
First 3,000 gallons (minimum billing)	45.00
Over 3,000 gallons (per 1,000 gallons)	4.00
In-town large commercial:	
First 3,000 gallons (minimum billing)	85.00
Over 3,000 gallons (per 1,000 gallons)	2.75
Out-of-town residential users:	
First 3,000 gallons (minimum billing)	55.75
Over 3,000 gallons (per 1,000 gallons)	4.50
Out-of-town small commercial:	
First 3,000 gallons (minimum billing)	55.75
Over 3,000 gallons (per 1,000 gallons)	4.50
Out-of-town non-residential or not small commercial:	
First 2,000 gallons (minimum billing)	185.00
Over 2,000 gallons (per 1,000 gallons)	5.00

Number of metered customers

Water	144
Sewer	352

See the accompanying independent accountants' audit report.

TOWN OF CUMBERLAND GAP, TENNESSEE

**PRINCIPAL OFFICIALS**

June 30, 2023

Neal Pucciarelli, Mayor  
John Douglas, Alderman  
Teresa Fuson, Alderwoman  
Morgan Wheeler, Alderman  
Bill Linn, Alderman  
Camille Hall, Alderwoman  
John Ravnum, 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, the business-type activities and each major fund of Town of Cumberland Gap, Tennessee as of and for the year ended June 30, 2023, 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 November 7, 2023.

**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) as a basis for designing 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 a 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of finding, recommendation and management response as item 2023-001 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 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*.

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



November 7, 2023

TOWN OF CUMBERLAND GAP, TENNESSEE

**FINDING, RECOMMENDATION AND MANAGEMENT RESPONSE**

Year Ended June 30, 2023

Finding Number 2023-001 - Segregation of Duties (uncorrected from prior year)

*Condition:* A lack of segregation of duties exists in the areas of issuing cash receipts, preparing bank deposits, posting accounting transactions, and preparing bank reconciliations.

*Cause:* This condition is as a result of the limited number of personnel available.

*Criteria:* Sound internal controls include the division of accounting responsibilities to help mitigate the possibility of fraud, misappropriation of assets and improper financial reporting.

*Effect or potential effect:* A lack of segregation of duties could result in misappropriation of assets or fraudulent financial reporting.

*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. We have a limited number of personnel and do not have the resources to hire additional staff. An Alderman reviews monthly bank statements and bank reconciliations to provide some oversight over the cash receipts process. We will continue to look for opportunities to strengthen internal controls and oversight over financial reporting and cash receipts.

TOWN OF CUMBERLAND GAP, TENNESSEE

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

Year Ended June 30, 2023

Financial Statement Findings

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2022-001	Segregation of Duties (original finding No. 2013-001)	Repeated/ 2023-001

MANAGEMENT'S CORRECTIVE ACTION PLAN

# Town of Cumberland Gap

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

Phone: 423-869-3860  
Fax: 423-869-3860  
Email: [cityhall@townofcumberlandgap.com](mailto:cityhall@townofcumberlandgap.com)  
Website: [www.townofcumberlandgap.com](http://www.townofcumberlandgap.com)

## MANAGEMENT'S CORRECTIVE ACTION PLAN

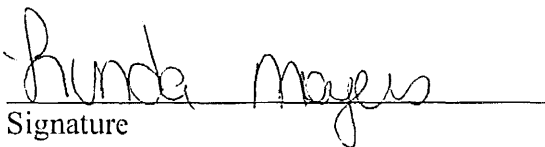
Town of Cumberland Gap, Tennessee submits the following corrective action plan for the year ended June 30, 2023. The finding from the June 30, 2023 schedule of finding, recommendation and management response is discussed below. Questions concerning the information provided in this corrective action plan or requests for additional information should be addressed to Town of Cumberland Gap, Tennessee.

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

### Finding Number 2023-001 - Segregation of Duties

*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. We have a limited number of personnel and do not have the resources to hire additional staff. An Alderman reviews monthly bank statements and bank reconciliations to provide some oversight over the cash receipts process. We will continue to look for opportunities to strengthen internal controls and oversight over financial reporting and cash receipts.

  
Signature